

ordic markets

Weekend



Fully-insured Nazis
'Sometimes, as at the Dachau camp, the SS even got a discount because of the size of their business'



Runaway's progress
'Soon she was caught up in prostitution and drugs - but all the time she continued her writing'

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JULY 26 / JULY 27 1997

Weekend



The BIG idea
'Craig Raine, who prefers the common-sense Auden, argues that we need ideas, but not in our art'



Choice of Chilean
'Chile's strongest suit is good value bordeaux-ish red even if it may now have to be fleshed out'

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Palestinian fury at homes plan

Netanyahu vows to block Jewish housing development in Arab east Jerusalem

By Judy Dempsey in Jerusalem

Palestinians warned Israel yesterday that plans for a new Jewish housing project in the heart of Arab east Jerusalem amounted to a "declaration of war". The municipal authority's decision to allow Mr Irving Moskowitz, a US millionaire from Miami, to build 65 homes in a district inhabited by 11,000 Palestinians was made late on Thursday night without the knowledge of Mr

Benjamin Netanyahu, the prime minister. Mr Netanyahu vowed to block the project, saying it was an ill-advised move when talks with the Palestinians were in crisis. He held immediate talks with Mr Yitzhak Mordechai, the defence minister, and Mr Edud Olmert, the hardline Likud mayor of Jerusalem. Mr Olmert supports expanding Jewish housing in east Jerusalem, which Israel annexed during the 1967 Six Day War. Peace talks

between Israel and the Palestinians were suspended last March when Mr Netanyahu gave the go-ahead for 6,500 new homes for Jews at Har Homa in east Jerusalem. Palestinians and opposition Labour party officials called on Mr Netanyahu to stop the latest settlement. "This is a declaration of war against the Palestinian people and a dangerous provocation," said Mr Ahmed Tibi, an adviser to Mr Yasser Arafat, Palestinian president. Mr Yossi

Sarid, a peace negotiator under the former Labour administration, said the Ras al-Amud project was "the match that will light the great fire in the territories, a great fire that will burn lives of Jews and Arabs". Mr Olmert shrugged off criticism of the project, saying it was legal, the land was privately owned and Mr Moskowitz had threatened to sue the city authorities if permission to build was not allowed. "In any case, when is the time ever right to

build?" asked Mr Olmert, brushing aside suggestions that the decision undermined the spirit of the Oslo peace accords and that the status of Jerusalem was supposed to be left until final settlement talks. Mr Moskowitz, a staunch supporter of Likud, has in the past provided financial assistance to nationalist groups to buy up homes and land to house Jews in the Arab part of Jerusalem. The project at Ras al-Amud, below the Mount of

Olives, is for Ateret Cohanim, an ultra-Orthodox institution. "It is really crazy that the price to a lunatic extremist American campaigner should be paid with our security and our lives," said Mr Sarid. Mr Olmert, backed by Mr Netanyahu, was responsible for opening an archaeological tunnel near the Al-Aqsa Mosque in the old city last September. It sparked three days of violence which left 66 Palestinians and 14 Israelis dead.

Asia banks back 'sound' currencies

By James Harding in Shanghai and Ted Bardacke in Kuala Lumpur

Asia's central bankers insisted yesterday that local currencies were "fundamentally sound" in spite of the recent turmoil on the region's currency markets. They refused to be drawn into concerted intervention to support embattled south-east Asian currencies. Analysts described the decision not to engage speculators in a head-on defence of the region's currencies as "mature", but said the bankers had done little to alleviate pressure on Asian currency markets.

South-east Asian currencies have experienced nearly a month of turmoil, pushing the Thai baht and Philippine peso into de facto devaluations and causing sharp falls in the Malaysian ringgit and the Indonesian rupiah. The 11 bank governors, meeting in Shanghai for the second annual executives' meeting of east Asia and Pacific central banks, pledged to "study arrangements for facilities to assist members, where necessary, to implement adjustment programmes". However Bank of Japan officials were at pains to point out: "We do not think this is fundamentally a crisis."

Mr Desmond Supple, head of Asian currency research at Barclays (BZW) in Singapore, said: "I applaud their realism - they haven't tried to buck the market. But it would have been useful to have injected some fear into the market. I think this will be seen as an excuse to take the dollar higher over the short to medium term." The central banks said they approved of the devaluations, saying they "recognised the importance of stability of foreign exchange markets, which should reflect fundamentals". The decision to let currencies settle naturally refocuses attention on Thailand, other analysts said. As long as the Thai baht continues to weaken, the pressure of competitive devaluations would remain. The baht closed weaker yesterday at Bt4.10 to the US dollar compared with Bt32.05 the previous day. A comprehensive economic adjustment plan was being drawn up in Thailand and was likely to be announced on August 5. Thai officials said yesterday. Its broad outline is similar to other Thai government plans announced over the past six months but only partially implemented. The People's Bank of China, the central bank, said it wished to see currency stability in Asia and was "willing to help", but would give no details of any specific plans to help support neighbouring currencies. In a separate agreement, Indonesia, Malaysia, the Philippines, Singapore and Thailand decided to extend a largely ineffective swap agreement for short-term liquidity financing.

Patience is running out as disaster victims wait in vain for help from the government

Poland's floods sink dreams of prosperity

By Christopher Bobinski in Siechnice, Poland

Zbigniew Felsztynski has done well out of Poland's economic reforms. At 48 he has a flourishing truck haulage business and a son to help him run it. All he lacks - since one disastrous night two weeks ago - is a home. It was destroyed in just 90 minutes, as one of the largest flood waves Poland has ever seen swamped his house. Now a tired and unshaven Mr Felsztynski, clad in a T-shirt, jeans and gumboots, stands with his neighbours in the street of a Wrocław suburb, waiting for the waters to subside. A few miles away in the village of Groblice, Mr Feliks Miedlarz, 42, a farmer with six hectares of land under water, has his pigs

loaded on to a tractor along with a neighbour's. He is ready to flee if the water lapping at his garden fence begins to rise again. He had just finished redecorating his home when the disaster struck. The wooden floors on the ground floor have had to be ripped up and the line of damp still shows chest-high on the walls. It will be weeks before they are dry enough to be repainted, and the 3,000 zlotys (\$860) the government is offering flood victims is woefully inadequate to pay for it. Neither Mr Felsztynski nor Mr Miedlarz - nor most of the other 45,000 Poles whose households were destroyed by the floods - were insured. Now they are looking to the state, which since market reforms began in 1989 has been withdraw-

ing from responsibility for every aspect of their existence, to help restore their previous lives. Mr Wlodzimierz Cimoszewicz, the prime minister, was forced to apologise for a remark suggesting that people should have taken out insurance instead of looking to Warsaw to pay for the flood damage. Now the government is promising subsidised loans to pay for reconstruction. But people in Siechnice aren't inclined to listen. Last Thursday they blocked the main road to Opole, another flood-hit town, and burned tyres to demand that the authorities drain the water away from their homes, streets and gardens. They were dispersed by riot police.



Fears grow, Page 2

Villagers in Brzeg, Poland, use an amphibious vehicle to search for flooded homes

News General

Fujimori birth challenge

Peru's opposition is calling for a congressional investigation into renewed allegations that President Alberto Fujimori was not born in the country. Fresh documents allege that the man who has governed for the past seven years came to Peru as a small child with his immigrant parents. The constitution clearly bars anyone not born within the national territory becoming head of state. Page 5

Russian telecoms stake sets \$1.88bn: An auction for 25 per cent of Svyazinvest, Russia's state-owned telecommunications giant, raised \$1.88bn, or 59 per cent above the minimum bid price. It went to a consortium of Russia's biggest commercial bank, Otkrytiy bank, and the investment bank Deutsche Morgan Grenfell. The country's biggest single privatisation will help pay arrears to the armed forces as 71 per cent of the proceeds goes to the federal budget. The rest is to start upgrading an antiquated telecoms network. Page 2

Scottish devolution will overspill borders: The plan to establish a parliament in Edinburgh, the Scottish capital, with legislative and tax-varying powers, is the most radical component in the UK Labour government's project of constitutional reform, and its functions, authority and method of election will have repercussions far beyond Scotland's borders. Page 5

Ben Hogan dies: Golfing legend Ben Hogan has died in Fort Worth, Texas, after a lengthy illness. He was 84. Hogan, in spite of a near-fatal car crash, won nine major championships, the last of which was the Open at Carnoustie in 1953. With four US Open titles and 63 US Tour victories, he was the only golfer to win three professional Grand Slam events in a single season.

Mr Bean hits the big screen

Bean: The Ultimate Disaster Movie, a film featuring Rowan Atkinson's hapless Mr Bean, topped the charts in its first week in Australia. But will it do as well in the US when it opens in October? Backers say the big challenge is to establish Mr Bean as "a character worth paying \$7.50 to see in a movie". Page 7



News Business

Drinks merger talks sour

Bernard Arnault, chairman of LVMH, the French drinks group, sought a £1bn (\$1.67bn) "indemnification" payment from Guinness and Grand Metropolitan, the UK drinks groups planning a £24bn merger, in connection with an alternative proposal he put to them privately two weeks ago, according to a document published by Guinness and GrandMet yesterday. The document appears to herald a souring of discussions. Page 24 and Lex: Movers and shakers, Page 6

TV drama in Spain: The best television drama in Spain is being played off-screen in a flurry of alliances and betrayals. Yesterday, as Spain's leading commercial television network, Antena 3, finalised details of its takeover by Telefonica, the national telecoms company, its jilted partner, Grupo Prisa, was accusing Spain's ruling centre-right party of blatant interference in the media. Page 2

Paris leads the way in a week of European market peaks: Paris stole the show in a week of strong performances across Europe. The CAC-40 topped Wednesday's close with another high yesterday, closing up 5 per cent on the week. Frankfurt's DAX index picked up 6 per cent on the week. Other leading European markets closed the week relatively quietly, still consolidating the rises which took several to highs on Wednesday. Page 21

Copper traders monitor zinc upsurge: Fears were growing that turmoil in the zinc market, caused by a misreading of future prices by Chinese smelters, could spread to copper trading. The smelters early this year sold 250,000 tonnes of zinc short, that is, sold metal they did not own in the expectation the price would fall and they could meet the obligations to sell by buying at the lower level. Instead, the price rose by nearly \$600 a tonne and the smelters face losses of up to \$100m. Page 24; Commodities, Page 8

Alfa blows its horn: Sweeping away old concerns about the viability of the famous Alfa Romeo marque, plagued for years by a reputation for poor quality, Roberto Testore, chief executive of Alfa's parent, Fiat Auto, after 15 months in the job, says the sports car maker will sell 200,000 next year - a rise of no less than 87 per cent over 1996. Testore said the new 156 Alfa sports saloon will become the biggest-selling model in the company's 70-year history. Page 23

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NEWS: INTERNATIONAL

Twisted plot of Spain's digital TV drama

By Tom Burns in Madrid

The battle to control Spain's digital television market has turned into a political soap opera that includes all-night meetings of business tycoons, furious exchanges in parliament, backstabbing, quirky legislation and appeals to the dispassionate arbitration of the European Commission.

As Antena3, Spain's leading commercial television network finalised the details early yesterday of its takeover by Telefonica, the national telecoms company, Grupo Prisa, the broadcaster's jilted partner, accused the ruling centre-right party

of blatant interference in the media. Others said a blow had been struck for press pluralism.

The cast complements the drama. It stars Mr Juan Villalonga, the banker friend of prime minister Mr José María Aznar, who was appointed to run Telefonica a year ago by the incoming Popular party; Mr Antonio Asensio, Antena3's erstwhile owner, who made his fortune out of soft-porn as post-Franco Spain moved to democracy; and Mr Jesús de Polanco, a school textbook publisher who turned Prisa into the dominant domestic media company during the 13 years of rule by the

former Socialist government. However, the plot, studded with sudden betrayals and surprise reconciliations, has often been difficult to follow.

A year ago Mr Polanco and Mr Asensio were swapping law suits as Antena3's then chairman started signing up transmission rights with football clubs that were ostensibly under contract to Prisa's subscriber TV network, Canal Plus. By December they had pooled their interests and were partners in the January launch of Canal Plus Digital, a satellite service with a monopoly to broadcast pay-per-view first division football

in soccer-mad Spain. Mr Polanco thought he had a deal to develop cable TV with Telefonica a year ago when the telecoms operator was run by a Socialist party stalwart. When Mr Villalonga undid the cable venture alleging that it breached Brussels competition rules, Prisa's chairman purposefully set about wooing Mr Asensio who was the partner that Mr Aznar's Popular party had in mind to launch a government-friendly satellite service, backed by Telefonica, to rival the Prisa venture.

Mr Villalonga has done Mr Aznar's government an invaluable service by en-

neering the purchase of Mr Asensio's controlling stake in Antena3. Telefonica has paid Ptas4.5bn (\$23m) for 25 per cent of the TV network and Mr Villalonga has persuaded two domestic banks, Central Hispano and Santander, to increase their equity in the company to 23 per cent and 20 per cent respectively.

Mr Asensio, who owns considerable press interests in Barcelona, is now free of bank debts and has made a sizeable capital gain. Mr Polanco, having ably alleged government harassment of his business before the European Commission (his digital decoders have been banned

and his football broadcasting rights restricted), has had his strategy blown off course and Mr Villalonga has moved Telefonica firmly into multimedia services.

Mr Aznar's government stands accused of cutting a hostile media group down to size. Critics of the all-pervading Prisa empire - it includes El País, the leading newspaper, Cadena Ser, the top radio station, several publishing companies and the biggest bookstore chain in the country as well as TV interests - who worry about media concentration, say the soap has had a happy ending.

Russia sells telecom stake for \$1.88bn

By John Thornhill in Moscow

A fleet of black Mercedes surrounded the dingy headquarters of Russia's Federal Property Commission yesterday as powerful business barons gathered to bear the results of an auction for 25 per cent of Svyazinvest, the giant state-owned telecommunications holding company.

Beaming ministers announced the stake had gone for \$1.88bn - 59 per cent higher than the minimum bid price - to a consortium composed of Quorionbank, Russia's biggest commercial bank, and Deutsche Morgan Grenfell, the international investment bank.

The sale, Russia's biggest single privatisation, will help the government pay off its arrears to the armed forces by the beginning of September. Seventy-one per cent of the proceeds will go to the federal budget. The rest will enable Svyazinvest to begin upgrading Russia's antiquated telecommunications network.

Mr Vladimir Bulgak, a deputy prime minister, said he was more than satisfied with the auction, which some had doubted would succeed.

"This confirms the correctness of our strategy in forming the Svyazinvest holding company, and refutes the opinion of the sceptics, who were convinced such a large collection of illiquid assets could not be sold as a single share packet for more than the starting price," he said.

The Russian stock market reacted positively, with the RTS index of leading shares closing 2.3 per cent higher at 599.5.

But some financiers said they had been deterred from bidding because of the auction's restrictive terms and

timetable. Each participant had to lodge a \$400m bond in advance of the auction with no guarantee that it would be returned - and had less than three weeks to analyse the company's finances.

"By international standards this was a joke," said one banker. "You do not do a \$2bn transaction in 18 days. You could have sold Svyazinvest for a lot more."

Svyazinvest was created as a holding company, with controlling stakes in 88 regional telephone operators and Rostelekom, the dominant long-distance and international carrier, to act as a financing vehicle for the industry. Two previous attempts to sell Svyazinvest had collapsed amid acrimony.

Mr Alfred Kokh, the privatisation minister, said the sale had shown the world that Russia could conduct an open sale of a major strategic asset, achieving a higher valuation for Svyazinvest than that of comparable companies in the Czech Republic and Hungary.

The only rival offer came from a consortium of Alfa Group and Most Bank, two influential Russian concerns, Telefonica, the Spanish telecommunications company, and Credit Suisse First Boston, the international investment bank. It bid \$1.71bn.

The winning consortium will be able to nominate two directors to serve on Svyazinvest's board, giving it power of veto and is free to sell its stake after 75 days. But it is unclear to what extent the consortium will be able positively to shape the future course of Svyazinvest and its dozens of subsidiaries.

A further 24 per cent of Svyazinvest's shares will be sold next year to Russian investors with the government retaining a 51 per cent stake.



French prime minister Lionel Jospin said yesterday public spending would have to be cut if the 1998 budget deficit was to be kept to 3 per cent of gross domestic product, writes David Owen in Paris.

Speaking to RTL radio (left) he acknowledged that cutting the deficit would be "a bit more difficult" in 1998 than 1997, while predicting that economic conditions over the next few months should be better.

His comments came at the end of a week in which France's Socialist-led government announced FF33bn (\$5.25bn) of public deficit reduction measures for 1997, while offering no guarantee that France would meet the 3 per cent of GDP deficit criterion for economic and monetary union.

Meanwhile, France's impressive trade surplus continued to rise, with May's surplus reaching FF16.5bn, according to seasonally adjusted figures, up from FF15.6bn a month earlier.

EU raises stakes on BA's Heathrow slots

By Michael Shepinker in London and Neil Buckley in Brussels

The European Commission is considering demanding that the proposed alliance of British Airways and American Airlines relinquish 350 weekly take-off and landing slots at London's Heathrow airport.

The proposal that the two airlines give up 350 slots is understood to come from the office of Mr Karel Van Miert, the EU competition commissioner. However, staff in the office of Mr Neil Kinnock, transport commissioner, are arguing that the number should be lower.

Mr Kinnock's aides fear that if the Commission sets the figure at 350, the two airlines will abandon their

proposed link-up. The two carriers are also expected to oppose the 350-slot suggestion vigorously. They have said that the proposal from the UK Office of Fair Trading that they give up 168 weekly slots would make it difficult for the alliance to succeed.

The proposed alliance has attracted strong opposition from other airlines in the US and Europe, which say that it will have an overwhelmingly strong position at Heathrow, the world's busiest international airport.

The alliance, which was first announced in June last year, still has to be approved by Brussels, by the department of transport in Washington and by the UK government. The two airlines plan substantial

co-operation and flight co-ordination and intend to share revenues from their transatlantic services.

The two carriers argue that the establishment earlier this year of the six-airline Star Alliance has strengthened the case for their link-up. The Star Alliance, which is led by United Airlines of the US and Lufthansa of Germany, groups carriers in Europe, the Americas and Asia.

BA and American announced last week that they were both considering taking stakes in Iberia of Spain, which could be invited to join their alliance. Both BA and American already have links with Qantas of Australia. American is also planning to buy a 10 per cent stake in Aerolineas Argentinas.

Boeing merger wins final clearance

By Neil Buckley in Brussels

The \$15bn merger of Boeing and McDonnell Douglas cleared its final hurdles last night as both sets of shareholders voted in favour and competition experts from European Union states endorsed Brussels' decision earlier this week to approve it.

But the deal remained controversial to the last, with France continuing to voice strong opposition, and preventing the advisory committee from reaching a unanimous decision during a meeting which unexpectedly ran for nearly four hours.

France insisted on having its opposition recorded in the meeting's conclusions. It is also understood to have won a pledge from the European Commission to set up a monitoring system to ensure that Boeing and McDonnell Douglas observe the commitments made to assuage Brussels' competition concerns.

Earlier, both the French prime minister, Mr Lionel Jospin, and one of France's two European Commissioners, Ms Edith Cresson, had questioned whether Boeing's commitments were adequate. Mr Jospin telephoned France's competition representative during last night's EU meeting.

The EU authorities' five-month investigation of the merger, which will create the world's biggest aerospace group, had brought the EU and the US to the brink of a trade war.

The Commission agreed in principle last Wednesday to approve the merger after winning last-minute concessions from Boeing, but delayed its definitive vote until next Wednesday so that it could get an opinion from the advisory committee yesterday - as required by EU competition rules.

Boeing agreed to scrap the exclusivity clause in 30-year supply deals it had signed with three US airlines, American, Continental, and Delta.

The concession came on top of earlier commitments to "ringfence" the civilian aircraft business of McDonnell Douglas as a separate legal entity inside Boeing, and to make available licences and patents from McDonnell Douglas's military research programmes to rival companies.

But Mr Jospin warned yesterday that France was reserving judgment on the merger, and said Boeing's concessions needed to be examined more carefully.

Mrs Cresson told the French newspaper Le Monde the merger was a "blow to competition law".

As well as the position it will have in the large airframe market, Boeing is acquiring a monopoly in 100-seater aircraft and a quasi-monopoly - 90 per cent of the global market - in freight aircraft, she warned.

She said the Commission had not won all the concessions it had originally demanded from Boeing, including commitments not to buy up smaller suppliers, and selling McDonnell Douglas's civilian aircraft division.

But, after the advisory committee's majority approval, the French interventions are insufficient to derail final approval of the merger by the European Commission next Wednesday.

In Seattle, meanwhile, more than 99 per cent of Boeing shareholders voted in favour of the merger.

McDonnell Douglas shareholders voted by a similar margin at a separate meeting in St Louis.

INTERNATIONAL NEWS DIGEST

Senate warns on global warming pact

The US Senate yesterday warned the Clinton administration not to accept a global warming treaty that harms the US economy. The non-binding resolution also said the US should reject a treaty that did not require developing countries to limit their heat-trapping pollution in the same timeframe as that in which industrialised countries were required to reduce their pollution.

The resolution, sponsored by West Virginia Democrat Robert Byrd and Nebraska Republican Chuck Hagel, passed 96-0.

The White House would need Senate confirmation of the treaty it is negotiating with other industrialised countries to reduce their pollution from burning fossil fuels that is blamed for warming the atmosphere.

"This resolution rejects the United Nations' current negotiating strategy of binding the United States and other developed nations to legally-binding reductions without requiring any new or binding commitments from 130 nations such as China, Mexico, and South Korea," Mr Hagel said.

The so-called Berlin Mandate, agreed to by the US and other industrialised countries, calls on them to make binding commitments on the grounds that they are responsible for almost all the existing heat-trapping pollution, while developing countries would not face binding terms.

Reuters, Washington

CONGO

Finance minister arrested

Investor confidence in the leadership of the new Democratic Republic of Congo, formerly Zaire, has taken a knock following the arrest of President Laurent Kabila's finance minister, apparently on suspicion of embezzlement.

Mr Mawampanga Mwana Nanga was placed under house arrest as part of an investigation into money transfers. Officials said the government would wait until Mr Kabila returned from Eritrea to discuss the case and Mr Pierre Victor Mpooy, the economy minister, would take over in the meanwhile.

A US-educated academic, Mr Mawampanga is a keen advocate of free market enterprise and the key interlocutor for mining companies hoping to exploit the country's reserves of cobalt, copper, tin and zinc. He was regarded as providing a healthy antidote to the state intervention that Mr Kabila, a former Marxist, occasionally appears to favour.

If Mr Mawampanga is guilty, it suggests the corruption endemic under former President Mobutu Sese Seko has started engulfing the new regime. If instead he and his policies have fallen out of favour, it could spell trouble for foreign investors hoping for a sympathetic ear and hands-off approach from the government.

Michela Wrong, Nairobi

GREECE

EIB loan for Corinth bridge

Greece yesterday signed an Ecu\$70m (\$407m) loan agreement with the European Investment Bank, the EU's soft lending arm, for the construction of a much-delayed toll bridge across the earthquake-prone Corinth Gulf.

CFM-Entrepren, the French specialist bridge-builder, heads a consortium of six Greek construction companies that will build the Ecu\$70m cable bridge linking Rion and Antirion in western Greece.

It will be a BOT (build-operate-transfer) project in which the consortium hopes to recover its investment through a 35-year concession to collect tolls from vehicles using the bridge.

The 2.5km bridge will take seven years to build and is due to open early in 2005. It poses a technical challenge, with foundations to be sunk 60m into the seabed to ensure stability in an area where strong earthquakes have struck since ancient times.

The Socialist government is keen for the project to go ahead because it will open up a neglected area of western Greece to development, and help improve communications with Albania and the former Yugoslav republic of Macedonia. The bridge was designed by Greek engineers almost 20 years ago but met with a series of obstacles. Businessmen in the western port of Patras objected on the grounds that investment would shift to the other side of the Gulf, while owners of ferries that transport vehicles across the strait threatened to block construction of a bridge.

Kerin Hope, Athens

TURKISH ECONOMY

World Bank to lend \$1.5bn

The World Bank yesterday announced a new \$1.5bn loan programme for Turkey. Mr Johannes Linn, World Bank vice president for Europe and central Asia, said loans of up to \$500m a year for three years would support health and educational developments as well as regional policy.

If approved by the Bank's board in September, the loan would ease pressure on Turkey's external accounts. The country must make foreign debt service payments of \$11.9bn this year and \$14.7bn in 1998.

Mr Linn said he also hoped to see progress on structural economic reform and fiscal stabilisation to lower inflation and the economy's volatility. The Bank, which has a large portfolio of undischarged loans, called on Turkey to improve implementation of existing projects. The World Bank could raise the volume of fresh loans to \$6bn if the new government of Mesut Yilmaz is able to make progress on both these fronts.

John Barham, Ankara

TURKISH POLITICS

Çiller escapes spying charge

Mrs Tansu Çiller, Turkey's former prime minister, will not be tried on charges of spying for the CIA, an Ankara court ruled yesterday. The capital's state security court prosecutor had already said the court was not competent to hear the accusation, first made by the far-left Workers Party. A military court then decided to investigate the charge, only to later refer the case back to the civilian courts.

The politically powerful military appears intent on politically destroying Mrs Çiller and her former coalition partner Mr Necmettin Erbakan after forcing them out of office in June after eleven months in power. The secularist army is supporting an attempt by prosecutors to close Mr Erbakan's Welfare party, claiming it attempted to establish an Islamic state.

John Barham, Ankara

UKRAINE

Kuchma reshuffles cabinet

Ukrainian president Leonid Kuchma yesterday reshuffled his cabinet, appointing new ministers of economy, energy, coal mining and industry. He left intact appointments in the defence, interior, and finance ministries, along with the deputy prime minister in charge of reforms.

Earlier this month, Mr Kuchma appointed Mr Valery Pustovoitenko as prime minister after accepting the resignation of Mr Pavlo Lazarenko. According to the Ukrainian constitution, the president is required to appoint a new cabinet if the head of government changes.

Charles Clover, Moscow

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EU probe uncovers smuggling of ozone-depleting chemicals

By Lionel Barber in Brussels

An EU-wide customs investigation has uncovered a multi-million dollar smuggling ring which imported 1,000 tonnes of illegal CFC products from China, the European Commission disclosed yesterday.

Dutch customs agents seized a shipment of 150 tonnes of CFC products in Rotterdam, leading to the arrest of a German suspect. Other companies involved face criminal charges, Commission officials said.

The EU banned the production of CFCs in January 1995 on the grounds that they damage the ozone layer. But a lucrative black market exists for CFC products

which can be used as cooling agents in refrigerators, in aircraft and as a means of fire protection.

The EU controls imports of CFCs under a quota system, chiefly to allow medical use of the chemical gases. In other areas, companies are encouraged either to use alternative environmentally friendly products or to recycle existing CFC products.

The Commission said yesterday it was considering further steps to restrict the import regime for CFC gases, and intends shortly to propose a ban on the sale and use of CFCs in the EU.

The CFC smuggling operation began when the German suspect used a false, non-CFC label - cooling agent

R22 - to cover imports of illegal gases in more than 80 containers from China. False declarations were made to customs in Germany, Belgium and the Netherlands.

Only chemical experts could tell the difference. "It was not like opening a container labelled ping pong balls and discovering Chinese shirts," said one Commission official.

Commission officials declined to name the German company which sold the products to customers in Austria, Belgium, France, Germany, Greece, Italy, and the UK - in each case without paying EU customs duties. Some went across the Atlantic.

Throughout the operation,

Fifa acts over Iraqi football caning charges

By Jimmy Burns

World soccer's governing body, likes to say its concern is football not politics - even if this has meant turning a blind eye to authoritarian governments who exploit the sport for political reasons.

So Fifa's announcement yesterday that it is investigating reports of human rights violations by Saddam Hussein's son Uday against the Iraqi football team may come as a surprise.

In a move that threatens to block Baghdad's attempt to end

its international pariah status, Fifa is considering a call from Iraqi opposition groups that Saddam's Iraq should be banned from all future international football competitions - a draconian measure only previously applied for any length of time during South Africa's apartheid regime.

"We feel we are entitled to take whatever action is necessary to defend the good image of the game," Fifa's spokesman, Mr Keith Cooper, told the FT last night.

Fifa has been forced to act after allegations surfaced in the British

media that Uday recently had members of the Iraqi national football team caned on the soles of their feet and beaten on their backs to encourage them to play better.

Uday, the president of the Iraqi football federation, was apparently furious with the team's failure to qualify for next year's World Cup in France, after losing at home and away against Kazakhstan.

European intelligence officials say Uday has become increasingly paranoid about his political position and even more brutal since

narrowly surviving an assassination attempt last December. He had previously acted as de facto prime minister with a reputation for violence that was excessive even by Iraqi standards.

"From his political point of view, Uday saw Iraq's football success internationally as a way of regaining some of his old power and projection," one European intelligence official said yesterday.

According to the Iraqi National Congress, the London-based group representing Iraqi opposition groups, Uday's football "br-

utality is not something new". In the late 1980's, Uday was so incensed with the bad performance of Al Rashid - a team he had personally created and funded - that he went to its training ground and shot over the heads of the players with a machine gun.

Fifa has known for years about Uday's poor human rights record as well as bribery allegations, but had chosen to turn a blind eye. Last night Fifa defended itself in terms which suggest that its political tendency is still, at best, cautious.

"We are investigating newspaper reports to see if they have any foundation. We have asked the Iraqi authorities for information and have approached the Asian Football Confederation which was responsible for Iraq's World Cup group," it said.

Iraq last qualified for the World Cup in 1986. Since then Fifa has allowed the country's national team to participate in other international events including football youth championships and the Olympic football competition. Uday is also president of Iraq's Olympic committee.

Fujimori faces new round of flak

By Sally Bowen in Lima

Opposition parliamentarians are calling for a congressional commission to investigate renewed allegations that President Alberto Fujimori was not born in Peru.

Fresh documents allege that the man who has governed the country for the past seven years entered Peru as a small child with his immigrant parents. The constitution clearly bars anyone not born within the national territory becoming head of state.

Constitutional experts say such proof would invalidate the 1995 elections and, possibly, many of the vast number of documents signed by Mr Fujimori over the years.

The allegations of irregularities add to the climate of political tension which has been mounting in Peru over the past two months.

The sacking of three judges of the newly created constitutional tribunal; the apparent persecution of the Israeli-born chief shareholder of a television channel critical of the presidential entourage; the revelation of widespread telephone tapping; and the unprecedented appearance of senior members of the armed forces in the congress building have combined to create a potentially damaging sense of political and juridical instability.

Journalists from Carretas, Peru's leading news magazine, first raised questions about President Fujimori's nationality four years ago. Scrutiny of a baptismal register showed his birthplace had been clumsily altered. As they photographed the relevant page, the investigative journalists were assaulted by the parish priest and the register has since disappeared.

Further investigation has suggested that when Mr Fujimori's immigrant mother received her Peruvian documents on arrival in 1934, she formally declared she was accompanied by two children: the president is the second oldest.

There has been no official statement from government palace or from members of the Fujimori family, although a firm denial is expected. Some members of congress - not all from the ruling alliance - are berating their colleagues for "destabilising" Peru with calls for further probes.

IMF on attack over Kenya kickbacks

By Michela Wrong in Nairobi

Kenya's economic and political prospects were on the line yesterday as pro-democracy activists prepared to take to the streets of Mombasa and the International Monetary Fund gave the government a week to show it was serious about cracking down on corruption.

Organisers of today's rally in the Moslem port city, a big tourist destination, threw down the gauntlet by refusing to apply for a licence for the meeting, held by opposition and religious leaders, civic groups and human rights campaigners demanding constitutional changes before the next election.

The failure to ask for authorisation set the stage for a possible repeat of the July 7 incidents in Nairobi, when television images of Kenyan police breaking up a similar protest with bullets, clubs and teargas shattered the country's peaceful image abroad.

The authorities had earlier signalled they would not allow the law to be broken. But analysts speculated that mounting threats of cuts of aid from foreign governments might persuade beleaguered President Daniel arap Moi to show more flexibility this time around.

Donor countries maintained the pressure yesterday, with 22 ambassadors writing to Mr Moi to urge him to make negotiations "all-inclusive" and continue talking to groups calling for changes to a constitution giving the incumbent an inbuilt advantage at the polls.

The letter appeared to give tacit support to the National Convention Executive Council, the broad-based movement which is demanding to be consulted over possible amendments. The ruling party, Kamb, recently insisted that only elected politicians had a mandate to take part in discussions.

The diplomatic initiative came shortly after the IMF had warned Kenya that its three-year \$220m loan programme would lapse if the government failed to take "strong measures" to make the public sector more transparent and accountable by July 31.

The warning, which marks a new low in relations between Kenya and the IMF, came after a fund delegation returning from Nairobi told the board in Washington that government measures to stem corruption had fallen "far short" of what the IMF was demanding.

The government's failure to recoup \$400m in public funds that went missing during the Goldenberg scandal, punish top officials involved or take steps to prevent a repeat of Kenya's worst financial scandal, lie at the heart of the fund's dissatisfaction. Financial analysts warned that suspension of the loan programme could be both far-reaching and long-lasting.

Segregation on buses and issue of Jewish identity have sparked divisive debate Worries grow over Israel religious groups

Ms Avital Bar-Or takes the Number 5 bus in Jerusalem and knows she must sit at the back. The bus cuts through one of the city's most ultra-Orthodox districts, where segregation between men and women is the norm, even in certain shops.

An informal segregation has existed for some time on this route, with the Haredim, or ultra-Orthodox men, sitting in the front, the women at the back.

But in a recent decision, the transport ministry, headed by an Orthodox minister, introduced a pilot scheme in Bnei Brak, near Tel Aviv, whereby women must enter the bus only from the back and men from the front.

The scheme is soon to be implemented in certain parts of Jerusalem also.

"The Haredim requested this so that the women will not have to walk past the men," said Mr Avnir Ovadia, of the transport ministry.

"The men will not have to see the women... I feel we have to give a service to the Haredim. They are the ones who use public transport the most," he said.

The decision has angered liberal groups. Ms Yael Dayan, a leading member of the opposition Labour Party, described the decision as "disastrous".

"The public buses are being segregated. If the Haredim want segregation they should have their own private buses and not impose this illegal act on public transportation. We must not allow the Haredim to monopolise our lives," she said.

Mr Yitzhak Kagan of Dan, the public bus network, insisted that the pilot projects would be confined to



Ultra-Orthodox Jews in the Meah Shearim neighbourhood of Jerusalem. They want more power.

ultra-Orthodox districts, though non-religious people have to travel along these routes.

But academics believe that the bus segregation is symptomatic of a deepening polarisation in Israel.

"There is a real struggle taking place between the Haredim and the secular community," said Mr Moshe Lissak, sociology professor at the Hebrew University.

"It is growing all the time. The case of the buses shows how deep this trend is."

But the struggle over the identity of Israel is no longer

confined to the country itself.

With the religious parties making up a third of the cabinet led by Mr Benjamin Netanyahu, the prime minister, they have opened one of the most divisive of debates and one that is also affecting Jews worldwide.

They have tried to make it legally binding that only those Jews converted by an Orthodox Rabbi - as opposed to a Liberal Reform or Conservative Rabbi - and who adhere to strict rituals of dress, eating, marriage, and funerals, are real Jews.

For Jews in the diaspora, especially in the US, such a law would mean that many would lose all their rights in Israel since they would not be regarded as Jews in the eyes of the Orthodox.

Although Mr Netanyahu recently forged a temporary compromise on this issue, Jews in the US are no longer prepared to remain silent about the future direction of Israel.

Mr Stanley Gold, president of Shamrock Holdings and outgoing chairman of Koor, Israel's largest industrial

conglomerate, said earlier this month that any change in the conversion status quo would move Israel from "a democracy to a theocracy".

"The ultra-Orthodox want to determine who can become a Jew and how one can be a Jew," he argued, warning that other laws would follow that could govern anything from driving on Shabbath to women's clothing to Big Macs, increasingly restricting the lifestyles of secular Israelis while demeaning the ceremonies of other Jewish traditions."

This was one of the reasons behind Mr Netanyahu's decision to forge a temporary compromise over the conversion law. But Mr Gold's supporters believe the battle to protect and nurture Israel's democratic traditions has only begun.

Judy Dempsey

US durables show rebound

By Gerard Baker in Washington

New orders for manufactured durable goods in the US increased by 2.3 per cent last month, driven by strong demand for cars and aircraft, the Commerce Department reported yesterday.

Orders reached a record seasonally adjusted \$181.6bn in June, further evidence the economy picked up momentum last month. The increase was the largest for five months, and followed a 0.4 per cent fall a month earlier.

Overall US output surged in the first three months of the year, led by a rapid rise in consumer demand. But from March to May the pace of growth decelerated sharply, easing fears that the strong demand would prompt a rise in inflation.

The economic statistics so far available for June suggest the economy began a summer rebound last month, with growth in retail sales, construction and durable goods orders.

The economy now looks to have sufficient momentum

to maintain growth through the summer. But fears that the continuing expansion might force the Federal Reserve to raise interest rates next month have eased somewhat since Mr Alan Greenspan, the Fed chairman, gave an exceptionally upbeat assessment of economic prospects in his half-yearly testimony to Congress this week.

Mr Greenspan gave no hint of an imminent rise in interest rates, and bond and equity markets surged as a result.

One factor that may damp down economic growth in the second half of the year is the continuing strength of the US dollar. Yesterday the dollar US currency maintained its recent surge, remaining close to the DM1.64 level, up 22 per cent on a year ago.

Even highly successful US companies are expressing concern over the impact of the currency on exports. This week Microsoft, the computer software maker said it expected the rising dollar would knock 5 per cent off the company's total revenues next year.

Algeria's top terrorist, alive or dead?

Confusion reigns as country's deep-seated violence shows little sign of ending

By Roula Khafaf in London

The mystery over whether Mr Antar Zouabri, Algeria's most wanted terrorist, is alive or dead accurately reflects the confusion that surrounds information about the country's five-year-long period of political violence.

Local newspapers this week headlined news of a big army offensive which they said had cut off the 36-year-old man who is believed to lead Algeria's extremist Islamist armed groups, known as the GIA.

Newswire services and one local paper, quoting unnamed security officials, reported on Thursday that Mr Zouabri had been killed. Yet the Algerian government has not confirmed the stories, and people claiming to have ties to the GIA in London say reports of Mr Zouabri's death are fiction. This will become clear "in a couple of weeks," they say.

Algeria's army-backed government tightly controls security information, and while newspapers are periodically allowed to publish stories of atrocities and killings of members of armed groups, casualties among govern-

ment security forces are never mentioned.

Stories in the mostly anti-Islamist local press often have some grounding in reality, and the information is often derived from security officials. But because reporters are often unable independently to check information, and competition over reports on violence is fierce, details can be unreliable or exaggerated. Reports that leaders of the GIA have been killed have often emerged in newspapers, but later turned out to be untrue.

Reports that the Algerian army has this month launched a military campaign against armed groups in Hattatba, some 80km south-west of Algiers, have been confirmed by visitors to the region. Newspapers, however, have provided conflicting accounts of the number of deaths.

It is also impossible to confirm how many members of the armed groups have been surrounded. The forested mountain where the siege is taking place is on the edge of Bida province, which lies in the "triangle of death" where many massacres have taken place. The mountain is



A wanted poster of Antar Zouabri published in Al Hayat, a London-based pan-Arab newspaper

said to be the hideout of a group headed by Mr Zouabri, which the government blames for the killings.

The elimination of Mr Zouabri in this offensive would no doubt mark a coup for the Algerian authorities, who never tire of claiming

that the violence is firmly controlled, only to be faced with a flurry of civilian massacres and bomb explosions.

Some analysts say his death would also signal a move towards stabilisation of the Algerian conflict, which has already claimed more than 60,000 lives, especially since it follows the release of two leaders of the Islamic Salvation Front (FIS), the party which was about to win the 1992 elections when they were cancelled by the army.

The FIS has now taken a conciliatory line towards the authorities and has been calling for negotiations. It has repeatedly condemned the acts of the GIA, which it says are manipulated by the authorities, and claims that some of the massacres taking place in remote villages can be ascribed to reprisals and acts of banditry aiming to drive people off a fertile land.

There are two reasons why pinning too much blame for Algeria on Mr Zouabri's death, if confirmed, might be misleading.

First, he would be at least the sixth leader of the GIA to be killed, and the armed

groups are usually quick to find a replacement. Mr Zouabri took over as head of a main armed group only in July 1996, after Mr Djamel Zitouni, his predecessor, was killed by a rival armed group.

Second, so little reliable information is available on the GIA that it is not clear what Mr Zouabri actually controls. Analysts believe the GIA to be a nebulous collection of shadowy armed groups, that do not all respond to a single leadership. New names of groups appear periodically, only to disappear a few months later.

The government has promoted the idea of the GIA as a feeding collection of disorganised groupings and says the escalation in violence in the past year can be attributed to internal struggles among various armed groups, who attack each other's families.


Yet, the government has also allowed newspapers this week to propagate the notion that the GIA was holding a "congress" in Hattatba to plan future strategy when it suddenly found itself under attack by the army.

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NEWS: INTERNATIONAL

Japanese broker's licence suspended

By Gillian Tett in Tokyo

Japan's crackdown on corporate scandals gathered pace yesterday after the government briefly suspended the licence of a medium-sized broker.

The Securities and Exchange Surveillance Commission, said that it had ordered Ark Securities to stop business for two days for illegally mixing client and proprietary trades.

The crime is similar to the one that Nomura, Japan's largest securities house, admitted on Thursday in relation to its dealings with *sokaiya* - corporate extortionists who traditionally demand money from companies in exchange for not revealing sensitive information. It is likely to add to suspicions that the malpractice at Nomura was widespread in many other parts of the securities industry.

The government is preparing to impose a heavy penalty on Nomura early next week. This is expected to include the suspension of parts of its business for several months, with the equity and small company sales departments likely to be particularly hit.

However, officials yesterday indicated that their investigations were also widening to other big securities houses.

Japanese papers reported that evidence had now emerged that three other companies had also carried out similar illegal trades for *sokaiya* in recent years. The three refused to comment on the reports yesterday. However, government prosecutors indicated that they were now preparing to launch a full inquiry into the companies.

The investigation into the companies is unlikely to be

as extensive as the probe into Nomura, since they are smaller and in a weaker financial state.

However, if evidence does emerge against them, the government may be forced to make some gesture of ensuring to avoid any criticism that it unfairly targeted Nomura.

The government is also expected to impose a penalty soon against Dai-ichi Kangyo bank, Japan's second

largest bank, for related illegal loans to *sokaiya*.

Tokyo prosecutors yesterday lodged a criminal complaint against DKB over the incident and also indicted its former chairman, Mr. Tadashi Okuda. Several other DKB officials have already been indicted over the affair.

DKB is accused of having extended some ¥11.78bn (\$100m) worth of loans to Mr. Ryuchi Kotke, a *sokaiya*, between 1994 and 1996.

Canadians to meet US on salmon row

By Scott Morrison in Vancouver

US and Canadian officials are to meet next week in another effort to resolve the simmering salmon row that has threatened to develop into a wider trade dispute between the two nations.

The decision to hold the talks was taken after fishermen in British Columbia blocked an Alaskan ferry for two days. The protesters, angered by high US catches of Canadian-bound sockeye salmon, released the vessel but warned they would again resort to blockading US ships if the dispute was not resolved within a week.

President Bill Clinton has appointed as special envoy Mr. William Ruckelshaus, a former head of the US Environmental Protection Agency. He will meet a Canadian representative who was expected to be appointed yesterday. Mr. David Anderson, Canada's fisheries minister, will also hold talks with the governors of Alaska and Washington state.

Canadian officials have put pressure on Mr. Glen Clark, the British Columbia premier, who has threatened a series of sanctions against the US. Despite appeals by federal officials, however, Mr. Clark has said he will go through with his threat to cancel a provincial lease on

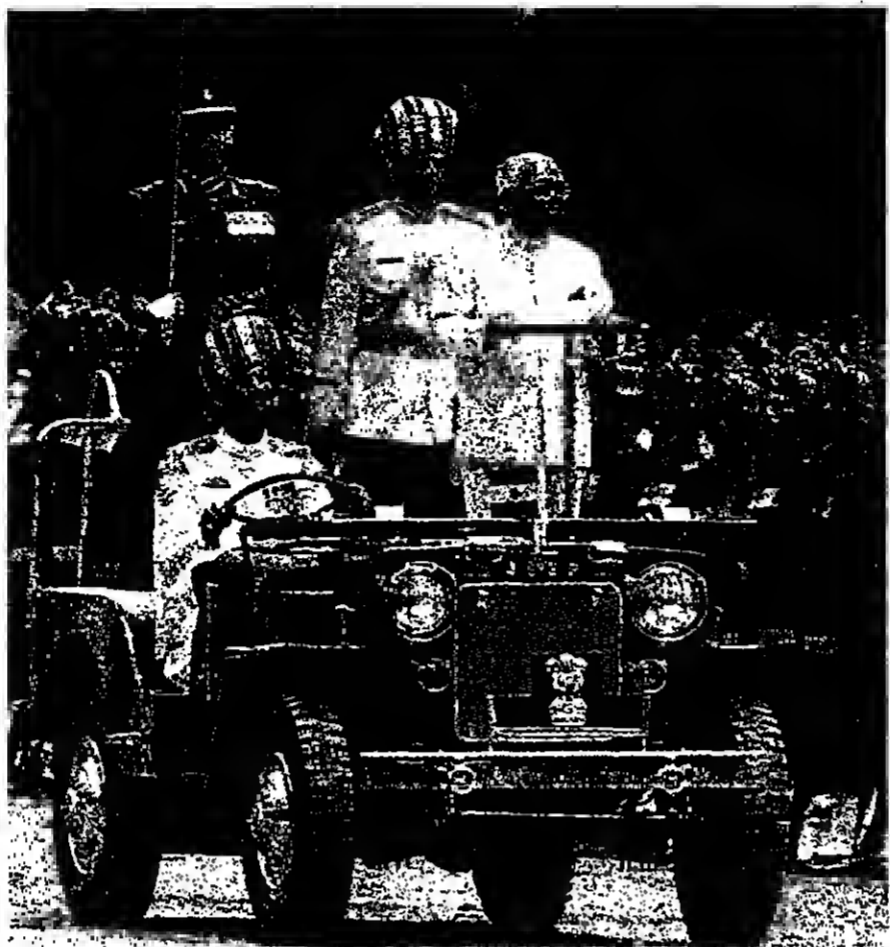
an underwater torpedo-testing facility used by US submarines.

Mr. Anderson has said Mr. Clark will not be asked to participate in discussions with US officials. Tension between the two nations increased after Alaskan fishermen acknowledged they had caught up to 350,000 sockeye salmon so far this season, at least three times the traditional limit of past years.

The Alaskan fishermen contend they caught Canadian-bound sockeye by accident while harvesting other salmon species. But British Columbia officials have repeatedly maintained that Alaskan fishermen target more valuable sockeye stocks instead.

Next week's talks will be the latest of several recent rounds of negotiations to reach an agreement to divide the \$400m (US\$290m) Pacific north-west salmon harvest. Canada, which has been pushing for long-term salmon harvesting quotas since 1992, says the US is taking advantage of an abundance of Canadian-bound sockeye salmon.

The last round of talks broke down in June as each side blamed the other for failing to make the necessary concessions to divide the harvest equitably while conserving stocks.



Mr. Kocheril Raman Narayanan reviews a guard of honour after he was sworn in as President of India yesterday.

Mr. Narayanan, 76, who became the first "untouchable" to hold the post, appealed for a crusade against growing corruption and against poverty. He said India's leaders had "the obligation to direct all our efforts to the task of abolishing poverty, ignorance and disease from among our people". He went on: "Today there are signs of the weakening of the moral and spiritual fibre in our public life with evils of communalism, casteism, violence and corruption bedevilling our society." Mr. Narayanan

polled about 85 per cent of 5,000 votes cast by national and state politicians in a presidential election earlier this month. His election has been interpreted as a triumph for India's "untouchables" - today referred to as Dalits ("oppressed") - who feature at the bottom of the Hindu social scale.

"Untouchability" is outlawed in India but Dalits still suffer discrimination at the hands of the upper castes. Although the president is only a constitutional head, he can play a key role if elections lead to a hung parliament or when the formation of government becomes contentious. He is also head of India's armed forces. *Picture: Reuters*

Romania spy chief accepts blame

By Anatol Liven

The head of Romania's foreign intelligence service (SIE) resigned yesterday after the Swiss authorities arrested a Swiss diplomat and charged him with spying for Romania.

A statement by the Romanian presidency said that General Ioan Talpas had accepted responsibility for the incident, which has deeply embarrassed the Romanian government.

Yesterday's statement said General Talpas had offered to quit "because this case may harm Romania-Swiss relations and because I deem myself solely responsible".

A report by the SIE to President Emil Constantinescu denied that the SIE was spying on Switzerland, but admitted that "there have been sporadic contacts for several years between a Swiss diplomat and SIE collaborators". The report said that the diplomat had handed over unclassified documents, "which were not harmful to Switzerland's security".

Last year, there was another diplomatic incident between Switzerland and Romania when the Swiss ambassador to Bucharest was withdrawn after it had a Romanian lover.

The prosecutor's office in Bern said last week that they had arrested the diplomat on suspicion of passing secret political and economic material to the SIE. This included material on people being sought by the police.

Analysts in Bucharest said that the goal of the SIE's activity in Switzerland was probably to try to identify illegal Romanian funds and their owners, and to track down money laundering.

Ever since the fall of the communist Ceausescu dictatorship in 1989 there have been rumours about huge sums having been deposited in Swiss banks by members of the former regime.

Recently, much of this money is believed to have been channelled back to Romania to buy state property. The new Romanian government elected last November has made it a priority to crack down on corruption and ensure the transparency and honesty of the privatisation process.

INTERNATIONAL NEWS DIGEST

Thais will not seek IMF loan

A long-awaited economic rescue scheme from the Thai finance ministry will be handed to the cabinet - and announced to the world - on August 5. The "comprehensive" package will include steps to stabilise the baht and attack the bad debt and property crises but it will not include the announcement the financial markets most want to hear: that Thailand will ask the International Monetary Fund for a big loan.

The finance minister, Mr. Thanong Bidaya, softened his earlier stance that a major injection of official foreign borrowing was unlikely when he admitted yesterday that this could not be ruled out.

However, an adviser to the finance minister said no approach to the IMF or any other potential borrower would be written into the rescue package.

Mr. Barry Yates, the head of research at Seismic Securities, said the authorities appeared to be determined to row their own boat. "The problem," he added, "is that the boat is sinking." *William Barnes, Bangkok*

KOREAN AID

South to ship corn

South Korea yesterday agreed to provide new food aid to North Korea despite recent tensions that included a border clash last week.

The South Korean Red Cross Society reached agreement in Beijing talks with its northern counterpart to supply 50,000 tonnes of corn to be bought in China and valued at \$10m. The South agreed to supply a similar amount in May for humanitarian reasons.

The secretive North Korean government offered greater access for monitoring distribution by the International Red Cross to remove southern doubts that the food aid for civilians might be diverted to the North's powerful military forces.

The South turned down a request to supply rice because it can be stored for longer than corn, raising concerns that it could be kept to feed the military at a later date.

John Burton, Seoul

AUSTRALIA

Howard in hospital

Mr. John Howard, the Australian prime minister, was admitted to hospital yesterday, suffering from pneumonia. His office said Mr. Peter Costello, treasurer, has been appointed acting prime minister until the deputy prime minister, Mr. Tim Fischer, returns from holidays tomorrow night.

The prime minister is likely to be in hospital for the best part of next week, his office added. Earlier this week, Mr. Howard, who will turn 58 today, was suffering from bronchitis and influenza but was diagnosed as suffering from pneumonia late yesterday. *Reuters, Canberra*

CAMBODIA CRISIS

Hun Sen confuses Asean

Mr. Hun Sen, who ousted his Cambodian co-prime minister Prince Norodom Ranariddh in a violent coup earlier this month, yesterday issued a cryptic statement that seemed once again to reject mediation by the Association of South East Asian Nations (Asean). He said he welcomed Asean's help in "preventing foreign interference into the internal affairs of Cambodia". This forced Asean to hold an emergency meeting with the Cambodian foreign minister, Mr. Ung Huot, and to suspend the final communiqué of their ministerial meeting which urged a reconciliation of Mr. Hun Sen's position.

Asean's future role in Cambodia remains unclear, diplomats said. The disarray comes just ahead of this weekend's annual meeting of the Asean Regional Forum, where in addition to trying to co-ordinate positions on Cambodia with the US, Asean is expected to clash with the European Union over the admission of Burma earlier this week. *Ted Barkache, Kuala Lumpur*

CHILD ABUSE

Damages for altar boys

The Roman Catholic diocese of Dallas has been ordered to pay \$120m in damages to 10 former altar boys, and the parents of another, who were sexually abused by a priest. It was the largest cash penalty imposed against the Catholic church in a sexual abuse case.

A jury of 10 women and two men said the diocese was guilty of gross negligence, malice, conspiracy and fraud in failing to stop the Rev. Randolph Kos from abusing the children over an 11-year period ending in 1992, and of covering up evidence. The diocese was ordered to pay about \$102m in actual damages and \$18m in punitive damages.

Bishop Charles Graham said the diocese would be likely to appeal "in order that a higher court can review all the issues and make certain that a final verdict is just and appropriate to the facts of the case". *Reuters, Dallas*

Attali to take on delicate mission

By David Owen in Paris

France's Socialist-led government has found a role for Mr. Jacques Attali, the former special adviser to the late President François Mitterrand but better known for his controversial spell at the head of the European Bank for Reconstruction and Development.

Mr. Claude Allègre, education and technology minister, has entrusted him with a vague but delicate-sounding mission aimed at bringing the country's universities and its famous *grandes écoles*, a training ground of the French elite, closer together.

Not surprisingly in view of the sort of tremors in the French establishment such a prospect might touch off, yesterday's ministerial announcement was careful to make clear that the "originality" of both institutions would be preserved.

But it indicated that Mr. Attali's role would be to engineer a rapprochement in areas such as research, education, diplomas and student mobility.

Mr. Allègre believed it "imperative that the higher education system should become permeated - as far as recruitment and training are concerned - with the spirit of innovation, creation, enterprise and initiative".

"The proposals of Jacques Attali and the experts he will surround himself with must help to formulate a victorious response to the challenges France is confronted by: increased European integration, globalisation of trade and constantly accelerating scientific and technical progress."

The initiative follows a period in which France's chronically high unemployment has helped touch off the latest in a regular round of debates and discussion about education reform, with the *grandes écoles* - elite emerging in some eyes as scapegoats for the country's broader problems.

High hopes for US-China summit

Jiang sees improvement in two powers' troubled relationship

By Tony Walker in Beijing

China's difficult relationship with the US has shown significant improvement this year, enhancing prospects for a constructive dialogue at a leadership summit due in October, according to Mr. Jiang Zemin, China's president.

Mr. Jiang told Mr. Jimmy Carter, the former US president, that "Sino-US relations have maintained the momentum of improvement and development this year". He added that the two countries' common interests were "expanding rather than diminishing".

Mr. Jiang's positive remarks came ahead of a meeting in Kuala Lumpur this weekend between Ms. Madeleine Albright, the US secretary of state, and Mr.

Qian Qichen, her Chinese counterpart, to discuss preparations for the summit in Washington.

The two sides have tentatively scheduled October 28 for the long-awaited summit, the first formal state visit involving Chinese and US presidents since the June 4 1989 massacre of pro-democracy activists in Beijing's central Tiananmen square.

Mr. Jiang made clear in his meeting in Beijing with Mr. Carter that he hoped the summit would elevate a troubled relationship to a new level, saying: "At present, Sino-US ties face an important opportunity for further improvement and growth."

He added: "The two sides should try to enhance trust, develop co-operation and establish a stable and

healthy relationship towards the 21st century."

Sino-US relations have had a bumpy ride over such issues as China's attempts to intimidate Taiwan, human rights abuses, Chinese transfers of weapons technology and claims that Beijing sought to influence the US presidential election through donations to the Democrats.

The administration has made improved ties with Beijing a priority of its second term. Senior US officials were in Beijing last week preparing for the Clinton-Jiang summit.

Officials from both sides say the summit is shaping up as the most important encounter between Chinese and US leaders in a decade. Mr. Clinton resisted Beijing's entreaties for a summit during his first term,

fearing domestic criticism.

Mr. Jiang Zemin, China's former ambassador in London, has been appointed head of the official Xinhua news agency office in Hong Kong, confirming earlier speculation about his appointment.

Mr. Jiang, 58, a seasoned diplomat, is expected to fulfil an important liaison function between the Hong Kong authorities and Beijing. His appointment was announced yesterday by State Council, China's cabinet.

The Xinhua head was China's most senior representative in Hong Kong before the July 1 handover, but that role is now filled by Mr. Ma Yuzhen, chief of Beijing's new foreign ministry office in Hong Kong. Mr. Ma preceded Mr. Jiang as ambassador in London.

How to become legitimately rich in today's China

'King of the Mushrooms' finds good management makes his business prosper

Mr. Chen Rongsheng and his golf buddies settle down to dinner at the beautiful Maiden floating restaurant and start knocking back shots of vintage French red wine.

Over the plates of lobster and between gulps of Bordeaux, Mr. Chen holds forth on what it takes to be legitimately rich in China.

"The success of my company can be attributed to a lot of factors, but the most important has been the opening up of the country," he says, casually explaining the creeping revolution in Communist thinking that first permitted private ownership and is now encouraging entrepreneurs.

Since economic reforms began in the late 1970s, China has boasted a growing band of flamboyant, wealthy people: stock market speculators, corrupt officials, private property developers, smugglers and others who have profited from China's breathless economic growth, but arguably done little to contribute to it.

Regulations were put in place 10 years ago to enable

people to own their own businesses, but state-approved entrepreneurs have been a rarity.

Officials in China, where personal wealth accumulation sits uncomfortably with the egalitarian heritage of Mao's Communist revolution, tended to be suspicious of enterprising individuals. Punitive tax regimes encouraged businessmen to set up bogus foreign joint ventures.

Commercial banks accustomed to lending outside the state sector make it difficult for people to get started. And the returns of speculative investment have been so great that there has been little incentive to grow a long-term business.

In the last few years, though, the number of individually owned enterprises has soared, accounting for nearly 13 per cent of gross industrial output in 1995 compared with 5 per cent in

1990. There were 619,000 privately owned businesses registered in China last year, up 25.3 per cent. More significantly, given China's declining state industries, private businesses boasted income of ¥227.8bn (\$27bn) in 1996, up 51.9 per cent.

Mr. Chen, the head of Xiamen Dayang group, one of the top 10 individually owned enterprises in China, is part of that trend. In 1990,

he was disgruntled with life working in a state-owned trading company. "I was earning a lot of money for them, but my efforts were ignored and the politics and working relationships were so difficult in those companies."

"So I decided to set up my own business. With eight years' experience, I had some idea where there was money to be made," he says, explaining why he started in a joint venture exporting fragrant mushrooms to Japan.

Having earned a local reputation as "King of the Mushrooms", Mr. Chen finally established his own business in 1992 in Xiamen, the old port city on China's south-east coast, raising a modest loan from the local bank which left him with 90 per cent ownership.

Xiamen Dayang quickly expanded from mushrooms into eel exports to Japan and from there into property development and industrial production. Last year the four-year-old company recorded sales of ¥1bn (\$120m), contributed ¥200m in taxes and boasted a workforce of more than 500 people.

The freedom of being an individually owned enterprise has enabled such rapid growth, says Mr. Chen. "What you do not have at state enterprises is individual decision-making power, but here that is our most important advantage - an effective management mechanism."

Officials at China's State Administration for Industry and Commerce also emphasise the change in public perceptions. "In the past, pri-

vately owned enterprises were looked down upon... but the conditions are more and more generous."

The government is clearly hoping that as many of China's state enterprises splutter towards bankruptcy, private enterprise will offer new avenues of employment. The labour ministry hopes that between 1996 and 2000, more than 138.5m people will get jobs in the privately owned and self-employed sector.

Mr. Chen still complains about the reluctance of banks to lend to Chinese entrepreneurs and about the occasional obstreperous official. The next challenge he poses for the Chinese government is his way of avoiding these problems.

Xiamen Dayang has a plan to list on the mainland stock markets, but this is in the hands of the China Securities Regulatory Commission, which is largely preoccupied with the transformation of state-owned enterprises into shareholding companies and has yet to show enthusiasm for letting entrepreneurs exploit Chi-



Chen Rongsheng: golf and French red wine

na's young stock markets. With that, though, is with Mr. Chen and he knows it: "If China wants to be a prosperous and strong nation, it has got to encourage the development of the individually owned and individually run economy. We are real patriots."

James Harding

Service sector fuels economic growth

By Robert Chote,
Economics Editor

Britain's booming service industries are keeping economic growth well above the rate which the government believes to be consistent with stable inflation - even though the manufacturing sector is stagnating.

Excluding oil and gas production, the economy grew by 1 per cent between the first and second quarters of the year, the Office for National Statistics said yesterday. For the third quarter running, this was well above the economy's estimated "trend" growth rate of

0.5 to 0.6 per cent a quarter. The figures underlined the dichotomy within the economy that is posing a dilemma for the Bank of England in setting interest rate policy. The service sector grew by 1.3 per cent in the quarter, while factory output was little changed.

Service sector growth is being driven by strong domestic spending, while companies exposed to international competition - many of which are in manufacturing - are experiencing a loss of competitiveness because of the strong pound. Sterling was little changed yesterday, closing at DM3.069.

The strength of economic growth is likely to maintain pressure on the Bank of England's monetary policy committee to consider a fourth consecutive monthly increase in interest rates in August. But higher base rates might push the pound up further from a level that most economists believe is already overvalued.

Business services - which include computing and consultancy - are the strongest growing sector of the economy. They grew by 3.6 per cent in the first quarter of the year and the statisticians believe they have recorded a similar rate of growth in the second.

Mr Simon Briscoe, economist at Nikko Europe, argued that this was the only sector of the economy growing seriously above trend - and that raising interest rates would do little to slow it.

The transport and communications sector grew in line with services as a whole, as did distribution, hotels and catering. Recreation, sport and culture rose strongly, while output of government services weakened.

Agriculture, forestry and fishing saw little change in the second quarter, while growth in construction appeared to slow temporarily. Energy production bounced back

following the mild weather in the first quarter, while North Sea maintenance depressed the extractive industries.

Including oil and gas production, the economy grew by 0.9 per cent in the second quarter to a level 3.4 per cent up on a year earlier. Output has risen 15.2 per cent since the trough of the recession in early 1992, with services growing 18.4 per cent and industrial production 12.1 per cent. Growth in the latest quarter was in line with the chancellor's recent Budget forecast.

Editorial comment, Page 6

Government and Bank of England prove unable to arrest the currency's appreciation

Market 'herd' keeps pound riding high

Mr Gordon Brown, the chancellor, told the Treasury select committee this week that he would like a stable and competitive pound in the medium term. Sterling responded by soaring, demonstrating that it is one thing to know what you want, but quite another to achieve it.

Mr Nick Parsons, currency strategist at Paribas Capital Markets, puts it this way: "In the medium term I would quite like to win the lottery - but I don't have a clear strategy to bring that about."

The pound has risen almost 25 per cent over the past year on its trade-weighted index, and is now worth DM3.0650 and \$1.6653 - a level that has prompted screams of pain from exporters worried about lost markets.

But there are no policy levers that the government can use to bring down the pound.

Interest rates, set by the Bank of England, are high and rising, making sterling attractive to investors. And the Budget - Mr Brown's only chance this year to tighten fiscal policy - is already past.

That leaves foreign exchange intervention: sell-

ing pounds in the currency market. The Bank of England is thought to be considering this. But strategists unanimously say that intervention would fail.

Most insist that intervention only works when it nudges the market in a direction in which it was inclined to move anyway.

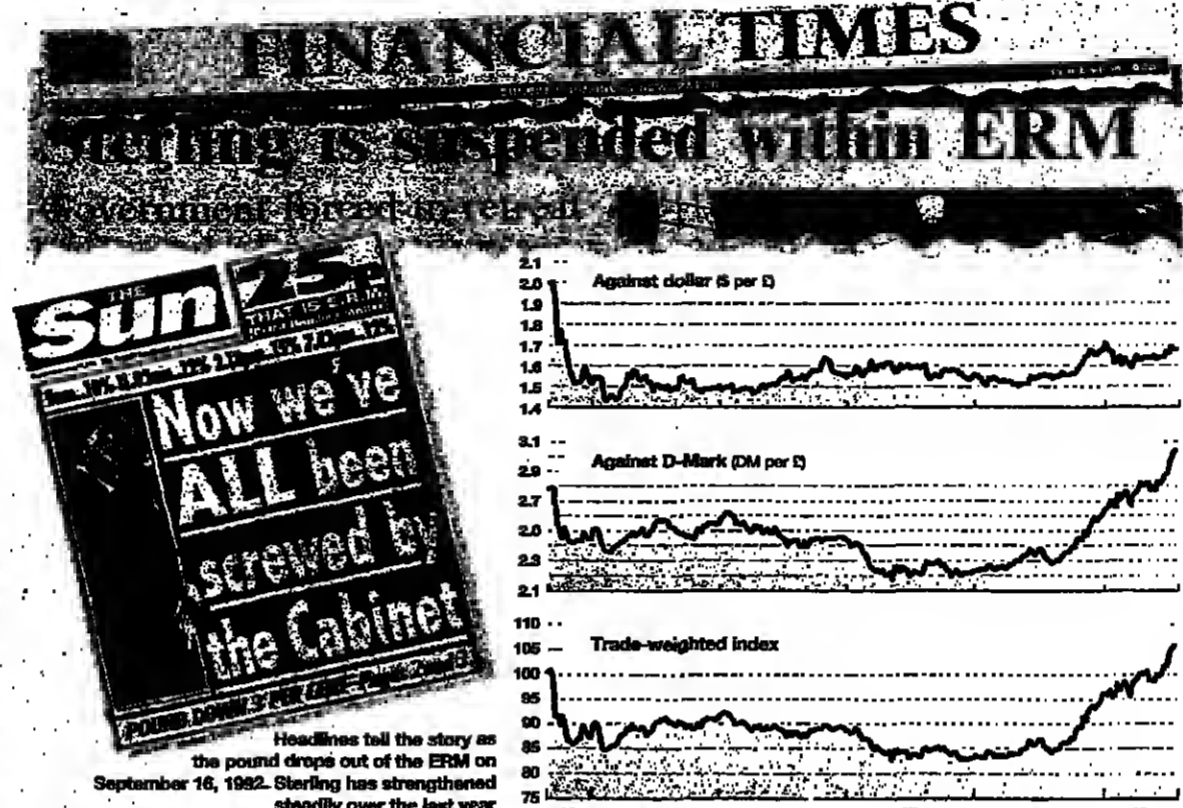
As Ms Kathryn Dominguez and Mr Jeffrey Frankel, two US academics, put it: "The foreign exchange market is a herd of steers, and central banks are herd dogs. They bark and nip at the heels of the steers with the aim of moving the herd in the desired direction."

If many traders think sterling should fall and central banks suddenly sell a few hundred million pounds in the market, that could set the currency on a downward path.

The German, US and Japanese central banks succeeded in boosting the dollar in this way in 1985 because most in the market already thought it was undervalued.

The Plaza Accord of 1985 managed to weaken the dollar partly because the currency was widely considered overvalued and partly because the world's main central banks acted as one.

But if the market steers do not want to move, there is



little that central banks can do to shift them.

The Bank of England has little power to weaken the pound, because most traders think its strength is justified. Mr Michael Burke, senior economist at Citibank, said: "We're very far from saturation of market demand for either sterling or dollars."

The pound is propped up not only by high interest rates, but also by its status as a safe haven from European monetary union. The

market thinks that Emu will take the D-Mark into a weak euro, and money is therefore fleeing the Emu zone into currencies such as sterling, the dollar and the Swedish krona.

The pound may be too strong for UK manufacturing exporters, but that is not enough to tip the balance against it. If the Bank of England intervened, it would be going against the grain.

The Bank itself is thought to have come round to this view in recent years. The

Old Lady still smarts from the memory of September 1992, when it spent about \$30bn of its foreign exchange reserves buying pounds in a doomed attempt to keep sterling in the European exchange-rate mechanism.

The losses from that intervention were estimated at £2bn-£4bn (\$5bn-\$6.7bn), although they may be more modest now that the pounds bought then have gained so sharply in value this year.

Furthermore, central banks are not the market

heavyweights they were. The volume of average daily currencies trading dwarfs the forex reserves of the world's main central banks. Two decades ago, the boot was on the other foot.

"I think the pound is going to stay above DM3.00 for the rest of the year," said Mr Jeremy Hawkins, chief economist at Bank of America in London.

The steers are still running wild.

Simon Kuper

Rail commuters offered jobs as part-time guards

By Andrew Bolger in London

London rail commuters are being offered free travel - and the chance to make a profit - on their daily trip to work.

Instead of poring over the crossword or staring vacantly out of the window they would act as part-time train guards on the way to their day job in the City.

This is the unusual offer from Great Eastern Railway, operator of trains from London's Liverpool Street sta-

tion. It wants to recruit 12 part-time guards who commute from "end-of-line" stations east of London.

The commuters chosen will be paid £5.25 an hour and could save up to £3,500 (\$5,845) a year on fares. Great Eastern said they would receive full training and would probably wear a uniform.

The RMT rail union, which represents Great Eastern's 140 full-time guards, said it was "very concerned"

about the safety implications of the scheme. And Mr Lew Adams, general secretary of Aslef, the train drivers' union, said the plan was a "safety nightmare".

The passenger watchdog body, the Central Rail Users' Consultative Committee, said it was worried because "the safety of thousands of passengers would be in the hands of part-timers".

An "astounded" Mr Jimmy Knapp, general secretary of the RMT, said:

"Do-it-yourself railways: is the most bizarre idea I have come across in 40 years in the industry. What next? DIY train drivers and signalmen?"

Mr Mike Turner, Great Eastern's commercial director, said the guard was there essentially for safety reasons. "We will not be asking them to check tickets but they will make announcements, ensure all doors are securely closed before giving the signal to the driver to

depart and they are there to assist customers," he said.

"Most commuters prefer to relax, read the paper or sleep. Others use the journey as part of their working day so we don't expect many will be interested in the chance of earning some extra money - and saving on their season ticket - but there is no doubt this could be a lucrative way of spending the journey."

Mr Turner saw a similar scheme in Hong Kong and

decided to launch the idea in the UK. The part-timers will jump off their train at every stop to check the doors and signal the driver to depart.

Great Eastern said anyone could apply. It had heard from a 25-year-old secretary, who sounded ideal - and would save £250 a month.

Applicants need good colour vision - and must be able to stay awake. "Anyone caught sleeping would lose their job," said Great Eastern.

Lords warned not to interfere on devolution

By Robert Wright
and John Kampfner

The government last night warned the Conservative-dominated House of Lords not to interfere with its devolution plans on the first day of campaigning for both pro and anti Scottish devolution camps.

Speaking at a rally to launch the Yes, Yes campaign for Scottish devolution in Glasgow last night, Mr Gordon Brown, the chancellor of the exchequer, said the September 11 referendum would provide "a clear expression of the will of the Scottish people".

He said: "The House of Lords, elected by no one, should think again before voting down or delaying devolution plans and frustrating the will of the people." His warning came on the day, Mr Donald Dewar, the Scottish secretary, launched the pro-devolution campaign with a stout defence of the white paper proposals, drawing favourable comparisons between the present proposals and the plan which came close to coming into being in 1979.

Mr Dewar, defending the assertion of Westminster's sovereignty in the white paper, said: "Westminster will be choosing to exercise sovereignty in a new way -

through a devolved Scottish parliament... Technically, Westminster could abolish it."

"In the absence of a written constitution in the UK that will always be the case. But... I cannot imagine a UK government contemplating abolition, so raising tension, perhaps even a constitutional crisis."

He played down the importance of a low turnout in the failure of the 1979 proposals, which were destroyed partly by the failure of the referendum to achieve its turnout target.

Mr Dewar said: "In 1979 the disappointment was not the turnout; it was the closeness of the vote. We are now in very different circumstances."

Meanwhile, Mr Donald Findlay, a well-known advocate (barrister), claimed at the launch of the anti-devolution campaign that changes to the parliament's proposed tax-raising powers made powers more significant than previously thought.

He said: "The prospect of Scottish politicians dreaming up new schemes to fleece the Scottish public is frankly frightening... The most vulnerable targets will be those without a vote and hostilities could especially suffer."

Scots see forum as stepping stone to autonomy

A parliament in Edinburgh may seek more power than Blair intends, say John Kampfner and Robert Wright

It was dressed up differently by the government, but for many Scots the announcement on Thursday of the government's plans for devolution of power to Scotland heralded the beginning of the end of 300 years of English hegemony.

The plan to establish a parliament in Edinburgh, the Scottish capital, with legislative and tax-varying powers, is the most radical component in the Labour government's project of constitutional reform. Its functions, authority and method of election will have repercussions far beyond Scotland's borders.

"Our aim is to make government more open, more accessible and more accountable to the people whom we serve, and to give the UK a modern constitution fit for the twenty-first century," Mr Donald Dewar, the Scottish secretary, told the House of Commons.

The detail of the proposed legislation has been the subject of heated argument in cabinet, with several ministers - sensing the irreversibility of the undertaking - fighting to water down the plans. The result is an intricate balance between London and Edinburgh, with complex legal mechanisms for solving disputes. But as one cabinet member put it: "Power will slip away incrementally."

Mr Tony Blair, the prime minister, inherited the commitment to Scottish and

Welsh devolution from the late John Smith, his predecessor as leader of the Labour party. He has, friends admit, never felt comfortable with it. He did not endorse himself to many Scottish politicians by suggesting the powers of the new parliament would correspond to those of a "parish council" and that sovereignty would reside "with me as an English MP".

But once he had reconciled himself to devolution, he decided to lead from the front. Mr Blair does not like losing, and almost certainly will not lose. Scotland's 3m voters will be asked in a referendum on September 11 to endorse the plans for the parliament. In addition, they will be asked to approve giving that parliament the power to raise or lower the basic rate of income tax for all people living in Scotland by 3p in the pound. Mr Blair will lead a typically professional Labour campaign for a "yes, yes" vote.

This will be no paper parliament. Its 129 members, elected in early 1999 through a combination of proportional representation and the traditional first-past-the-post constituency system, will select a first minister - a prime minister in all but name.

Members of the Scottish parliament (MSPs) will have control over health, education, housing, local government, law and order - and the £1.6bn budget at present



given to the Scottish Office by the Treasury. Mr Blair has ensured that most economic decision-making will remain in London, to prevent the Scots from imposing hostile taxes and regulation on business.

But in many areas, Mr Blair and the more radical Scots in the cabinet have won the day. The document lists the demarcation

between London and Edinburgh, policy areas by policy area. One clause gives a clue to the future. "There will be provision for transferring further matters to and from the reserved list by Order in Council, which would be approved by both parliaments."

In plain English, this means that - over time - areas reserved for London

UK NEWS DIGEST

Ahern meets with Adams

Ireland's prime minister Mr Bertie Ahern met Mr Gerry Adams, the Sinn Féin leader, in Dublin yesterday formally re-establishing contact with the Irish Republican Army's political wing for the first time since the ceasefire last weekend. Mr Adams is expected to meet with Senator George Mitchell, chairman of the Northern Ireland talks, in Belfast on Wednesday and Ms Mo Mowlam, the Northern Ireland secretary in the next few weeks, before being admitted to negotiations in early September.

Mr Ahern sought to play down yesterday's meeting - attended by Mr John Hume, leader of Northern Ireland's moderate nationalist SDLP - aware of unionist perception they are being bounced into constitutional change that could lead to a united Ireland. John Murray Brown

GULF WAR SYNDROME

MoD to study US research

The Ministry of Defence is to study new US research showing that the number of Gulf War troops put at risk by a poisonous cloud of Iraqi chemicals has been underestimated.

British officials have asked the Americans to send them the results of new findings showing that winds at the time may have spread the gas further than they had thought. But neither the MoD nor the Americans believe there is any connection with the mystery "Gulf War syndrome" reported by some veterans of the conflict. The Pentagon believes five times as many American troops may have been affected by the chemicals than their original estimate. The CIA admitted last year that when US troops bombed a chemical weapons depot at Khamsiyah, in southern Iraq, on March 10, 1991, it produced a poisonous cloud which drifted over Allied troops.

It was not realised until 1995 that 122mm chemical rockets had been stored in the depot. Earlier, the Americans had estimated that about 20,000 American troops might have been put at risk.

But now researchers have done a more in-depth study, looking at factors such as the strength of the wind on the day concerned, the exact location of troops and the purity of the chemicals in the rockets. They estimate that the gas travelled as far as 300 miles and that some 98,000 troops were under the cloud between March 10 and 13.

DIVIDEND TAX CREDITS

Trust companies make protest

The Association of Investment Trust Companies has written to Mrs Helen Liddell, the economic secretary, to protest about the "extremely serious" effect of the changes to dividend tax credits announced in the Budget. A side effect of the change is that unit and investment trusts will no longer be able to offset expenses against income from UK shares before calculating their tax liability. The estimated £250m added cost "heavily penalises UK equity funds whereas other types of fund are unaffected" the trade body says. It also warns that it is aware of a "number of management houses who are actively considering" moving offshore to avoid the new tax increase. An amendment to the finance bill, which sought to exclude investment trusts from the relevant tax change, has been defeated. The AITC says it still hopes Mrs Liddell "will be able to do something about the unfortunate and perhaps unintended" effects of the Budget change on investment trusts. Jean Eaglesham

DAIRY FARMING

Price cuts fail to help milk sales

Milk Marque, the dairy farmers' marketing co-operative, has failed to sell all the milk it will have available from October, in spite of cutting prices. This follows underbidding in the last tender for contracts which began in April. Since April, Milk Marque has sold excess milk on the spot market. Lower prices have cut returns to dairy farmers, and some have been leaving the co-operative, either retiring or switching to selling directly to processors.

The dairy processors, Milk Marque's customers, were reluctant to bid for milk on six-month contracts starting in October as they expect prices to fall before then because of sterling's strength. Milk Marque said it had accepted offers for "up to 85 per cent" of the 14m litres of milk a day it will have available from October.

Mr David Yeomans, chief executive of Milk Marque, said: "This is an encouraging result in a difficult market environment." He chose not to cut prices again and seek more bids.

In an increasingly hitler war the processors argued Milk Marque's prices were too high to enable them to make a sufficient profit. Milk Marque replied that the processors were inefficient. Maggie Urry

FINANCIAL TIMES

Mr Brown vs Mr Murphy

In short, the extent of sterling's rise increasingly raises a risk of policy overkill. It is compounded because of the difficulties of predicting the strength of consumer demand once the windfalls are out of the way. As Mr Gavyn Davies of Goldman Sachs remarked to the Treasury select committee, this is the stage in the cycle when economic judgments are most difficult and the consequences of errors most severe.

As he is fully aware, this has enormous implications. The whole rationale of the Guinness-GrandMet merger is to bring together the two drinks businesses. Take that away, and it makes no sense to assemble a rag-bag of consumer brands ranging from Guinness Original to Green Giant sweetcorn.

It is on this basis that the wily Mr Arnault has erected the rest of his proposal. The rest of Guinness and GrandMet, he says, should be demerged into three further independent companies: brewing, fast

There is a further intriguing possibility. Conceivably, he said this week, the deal might be amended so that he took stakes in the demerged companies as well as in DrinksCo. But that would still be subject to the con-

In other words, Mr Arnault may believe - though it would be impolitic to say so - that the drinks business is best not left to

Falling a resolution, things could turn nasty. Mr Arnault holds a 12 per cent stake in Guinness and 11 per cent of Grand-Met, with a combined market value of close to £3bn. If thwarted, he says, he will simply build up his stake and enlist enough shareholder sup-

The London stock market has underestimated him before, and has come to regret it. The weaker his position looks, and the steeper his bluff, the more the question presents itself: what has he got up his sleeve?

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It appears that Transco substantially underestimated to the MMC the volume of gas likely to be transported in the price control period 1997-2002. On the latest estimates, taken together with other recommendations of

We considered it important for the transparency of the regulatory process to bring this matter into the public domain in our consultation document. Moreover, we did not think it right knowingly to propose setting the price control on information which is now out of date, thereby delivering a result the MMC did not anticipate. We consider that to do so could have brought the regulatory regime into disrepute.

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Man in the News • Mahathir Mohamad

Master of contradictions

James Kynge on strong words from the Malaysian prime minister

In the old centre of Kuala Lumpur, Malaysia's capital, there is a cricket pitch, a mock Tudor club and a church with a spire that would sit comfortably in any British county town. Even some old colonial customs survive; ladies are not supposed to drink in the club's Long Bar.

Visitors might assume that such relics are preserved out of affection for the British era, which ended with independence in 1957. But Dr Mahathir Mohamad, the prime minister, says they are there as a reminder of past humiliations.

"If [Malaysians] do not wish to be colonised again, in whatever form, they must learn to manage their affairs better," Dr Mahathir says.

Remarks such as this have been a hallmark of the Malaysian prime minister's 15 years in office. Over the years, many aspects of western society have provoked his ire. Western trade unions have been accused of inciting the Malaysian counterparts to militancy. Australian journalists have been called "congenital liars", and the United Nations a tool of superpowers. Western society in general is often excoriated as a fount of decadence and spiritual bankruptcy.

This week Dr Mahathir, fresh from a two-month absence overseas, has been

similarly outspoken, aiming his indignation at, among others, speculators in international currency markets.

"We are told we must open up that trade and commerce must be totally free. Free for whom? For rogues and speculators?" he thundered at this week's meeting in Kuala Lumpur of the Association of South-east Asian Nations (Asean), the region's top international grouping. "Or for marchists wanting to destroy weak countries in their crusade for open societies, to force us to submit to the dictatorship of international manipulators?"

Dr Mahathir's attack on speculation comes at a time of currency turmoil for several Asian currencies, including the Malaysian ringgit. The difficulties, prompted by Thailand's devaluation of the baht earlier this month, have called into question the sustainability of the economic "miracle" that has transformed several south-east Asian economies.

Dr Mahathir's comments

were viewed as particularly significant since Malaysia has, in recent years, done more than any other nation in south-east Asia to reform and open up its domestic markets. As for currency speculation, Kuala Lumpur's own central bank once had a reputation for being a fearsome speculator.

Dr Mahathir this week also inveighed against the increasing power of multinational companies, which he said were "swallowing up chunks of the business in the developing world". But Malaysia is an attentive host to these very same companies and its economy has been considerably enriched by their investments.

He has also rejected suggestions by some - including his deputy prime minister Mr Anwar Ibrahim - that Asean should intervene more to smooth the path of democracy in countries such as Cambodia and Burma. Dr Mahathir believes one of Asean's founding principles of allowing countries to decide their own fate should not be violated.

Though he is often irascible and - from a western viewpoint - defiant, Dr Mahathir could never be described as irrelevant. He is widely regarded as one of the developing world's most powerful spokesmen. The more moderate among the Islamic nations view him as something of a standard-bearer for their cause.

"He is an enigma, a master of holding two contradictory views at the same time," says one foreign businessman with many years of experience in Malaysia. "It is more instructive to judge him by what he does rather than what he says."

In the 1980s, Dr Mahathir launched a "Buy British" campaign to register discontent with the Thatcher government's decision to raise tuition fees for foreign students. Yet he had a good personal rapport with Baroness Thatcher, who praised him as a true statesman, in spite of being a trenchant critic of the western media, he travelled to Hollywood this year to woo

investment from the citadel of western creativity and sin.

"His vision for Malaysia was for the final exorcism of the humiliations he had endured under colonialism," says one Malaysian author of Dr Mahathir. "He wanted Malaysia to be a big, strong, developed nation, able to compete and beat the developed world... No more little brown men at the feet of great white masters."

Dr Mahathir's railing against the west is intended to serve two purposes. First, he hopes to incite Malaysians with a sense that they are the equal of foreigners. Second, it allows him to reap the benefits of being seen as a champion of the developing world.

His close personal contacts with leaders such as Mr Nelson Mandela, South Africa's president, and Mr Robert Mugabe, Zimbabwe's leader, for example, have helped secure important commercial contracts for Malaysian companies in those countries.

The danger for Malaysia,

say some commentators, is that the country's fate is too tightly bound up with that of its 71-year-old leader. The question of who will succeed Dr Mahathir - who in 1989 had heart bypass surgery - has become the focal point of Malaysian politics.

Mr Anwar, Dr Mahathir's chosen successor, has already shown signs of jockeying for position. During the prime minister's absence, Mr Anwar tried to stamp his mark on policy while appearing to remain loyal to his leader. This week, Dr Mahathir slapped him down over his proposal that Asean should take a more interventionist role in the region.

Dr Mahathir has given no indication that he intends to step down before his term as prime minister ends in 1999. He may feel he has too much unfinished business to attend to. One such project is the glittering Kuala Lumpur City Centre taking shape across town from the old colonial club. At its centre are the tallest buildings in the world, an 88-storey chrome and mirror edifice called the Petronas Twin Towers.

Let the symbolism here be lost, one Malaysian politician spells it out. "The two towers are two fingers that we are showing to those in the world who said we could never build it."



George Parker reports on Tony Blair's enduring popularity

A long honeymoon

When Liam Gallagher, lead singer of pop group Oasis, married the actress Patsy Kensit this year, they spent a celebrated 48-hour honeymoon cocooned in a London hotel room enjoying the first flushes of marital life.

That's nothing, Mr Tony Blair, who will entertain members of Oasis at Number 10 Downing Street next week, is enjoying a honeymoon with the British public that is every bit as intense and more protracted.

This month an opinion poll found Mr Blair had a record 63 per cent approval rating, even after a tax-raising Budget. A poll last month could find only 7 per cent unhappy with his performance. Mr Blair swept into office in May on a wave of national optimism. Next month, when he goes to Tuscan on holiday, he will ponder how long this can last.

Signs that the public's ardour is cooling are hard to find. The search for any hint of discord leads inexorably to wealthy Huntingdon, the most Blair-zealous constituency in the land. Mr Major, the defeated prime minister, won this eastern England seat on May 1 with a majority of more than 18,000 - the biggest Conservative margin.

The St Neots Conservative club, the largest in the constituency with more than 1,750 members, is arguably the place where Mr Blair could expect the frostiest welcome. On a Thursday afternoon, the club is heaving with elderly folk in from the market. Here, surely, they can find fault with the fresh-faced premier.

Alas, not. The consensus appears to be that Mr Blair is successfully implementing Conservative policies with the kind of firm leadership they used to admire from Mrs Margaret Thatcher. "Blair is a clever guy, but he's basically an actor - a second-class Tory," says Mr Gerry Davis, a machine oper-



Right on cue: Conservative club secretary Andrew Hunsard

ator in a paper factory in the town. "He works along the lines of Maggie Thatcher."

Mr Andrew Hunsard, the secretary of the St Neots club, says Mrs Thatcher had a strong political vision coupled with a streak of populism that kept a sufficient section of the British people on her side. But many loved her.

Mr Blair's achievement has been to bring most of the people with him.

"New Labour is basically what the Tory party used to be about," says Mr Hunsard. "They have moved into the centre and there is not that much difference any more."

Even Mr Major's own local party chairman, Mr John Bridge, admits Mr Blair has made a good start. But Mr Bridge, the managing director of a road haulage company, agrees with colleagues in the St Neots club that rising interest rates and the soaring pound are harbingers of doom. "I think there could be a downturn in the first quarter of next year,"

he says. He believes a resurgence of union militancy and dissent in the lower ranks will eventually destabilise the prime minister.

For the time being, Mr Blair is on a roll. The "feel-good factor" that acquired an almost mythical status under the Tories is suddenly present in spades. It is not just the economy. Mr Blair's triumphant arrival in Downing Street, bathed in glorious May sunshine, appeared to give the country the excuse it needed to revel in a spirit of national revival.

A self-deprecating nation by instinct, its spirits eroded by 50 years of relative decline, Britain suddenly found itself at the centre of worldwide acclamation. Britain's sportsmen were triumphing on the football, cricket and rugby fields; glamorous Italian footballers were lining up to play in the Premiership; the UK's popular music was conquering the world.

Mr Peter Lunt of the psychology department of Uni-

versity College, London, says British voters have made a big investment in Labour. "There is a feeling that here is someone who is trying to change politics - someone who will be inclusive in his approach," he says.

This principle is applied in Mr Blair's attempt to draw diverse strands of society into his "project" - to give them a stake in the success of his government. The business community has been brought in to drive a number of policy reviews; the Liberal Democrats have been given seats on a cabinet committee; sports stars have been invited to a gala evening at Number 10; the Oasis reception is a nod to the young.

Because of the coalition of people wishing Mr Blair to succeed, he has been able to push through contentious policies with only murmurs of dissent, and brush aside awkward events with ease.

Interest rates have risen three times since May 1; students will have to pay for higher education; the Budget pushed through 17 tax rises; welfare payments are to be cut.

The absence of any effective Tory opposition has helped Mr Blair. And the media have had little success in bringing the new prime minister down to earth.

Mr Major found to his cost that governments take time to establish a reputation. Once his administration became associated with sleaze, division and incompetence, every minor event was blown up as an illustration of the larger picture.

Mr Blair's government, for the moment at least, is associated with firm leadership and almost hyperactive radicalism. Given time, the Tories and the media will find its weak points and expose them ruthlessly.

In the meantime, the honeymoon continues. The lazy days of summer are upon us and Britain feels good about itself. Mr Blair should enjoy it while he can.

Hashish to hardship

Roula Khalaf on the nostalgia poor Lebanese farmers feel for the illicit crop

considered to have wiped out most production. The international community considers it quite a success.

For the 27,000 farming families of Baalbek, these farmers have become followers of Sheikh Soheil al Tufaili, the fiery cleric and former secretary-general of Hizbollah, the Shia militia. Sheikh Tufaili is now running his own, more radical, movement, and competing with Hizbollah for Baalbek's support.

As the Lebanese government prepared for the Baalbek festival, Mr Tufaili earlier this month launched a "hunger revolution", and called for a campaign of civil disobedience. To appease farmers, the government pledged nearly \$100m in emergency aid. It also agreed to impose import restrictions on several agricultural products, jeopardising Lebanon's traditional open-market policies.

Baalbek's frustrations reflect a general sense of malaise in a country where a \$60bn (£36bn) reconstruction drive is seen to be widening income disparities. Lebanon's transition from a war economy based on arms and drugs is likely to hurt the average Lebanese for many more years. Economists reckon it will take another decade of yearly growth of 6-8 per cent for the country to regain its prewar real level of per capita income. This year's growth is not likely to go beyond 5 per cent.

"What people are feeling today is also a widening expectations gap," says an economist. "The problem is they see their standards of living deteriorating, their privileges stripped, while others - through political connections rather than merit - get to high places and get richer."

subsidised prices, but it turned out not everyone can get them."

Like many Shia farming families in Baalbek, these farmers have become followers of Sheikh Soheil al Tufaili, the fiery cleric and former secretary-general of Hizbollah, the Shia militia. Sheikh Tufaili is now running his own, more radical, movement, and competing with Hizbollah for Baalbek's support.

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In Baalbek poverty is particularly pronounced. The UNDP says per capita income is a measly \$500, and speaks of the great need to relieve social deprivation and improve agricultural yields on the arid land through better infrastructure and irrigation systems.

The city's nostalgia for hashish is compounded by the fact that Lebanon's relatively high cost of labour and land and its resistance to substantial subsidies give agriculture little competitive advantage. Far cheaper and heavily subsidised imports flood the market.

"Working the land has become a gamble," says Mr Khalil Yaghi, now a potato farmer. "Ninety-five per cent of farmers lose money because the inputs are too expensive. There is no insurance, very poor irrigation, and the government does not buy our produce like in other countries."

Studies made at the end of the 1960s estimated that developing the area and assisting farmers to redirect production would require total funds of \$300m. Much of it was expected to be provided by western donors who, according to the Lebanese government, had promised financial support in return for the eradication of illicit crops.

Five years after the crops were burned, Baalbek is still waiting. Out of \$28m asked for in the first phase of the programme, donors disbursed only \$4.5m.

"The problem is that the government decided to eradicate illicit crops, then called for the international community's support," says Mr Mohammed Nasr Farjani, a UNDP official. "Of course they won't give them money because the eradication was done for political reasons."

In Baalbek, the Lebanese government and not foreign donors are held to blame. The government used to live off us when we were in the drug business," says Mr Mohammed Amhar, who has been without a job for years. "Then they stopped us and made promises. Unless they do something about it, a lot of people will go back to hashish."

A film featuring the hapless Rowan Atkinson character may blaze a trail around the world, writes Alice Rawsthorn

Turning a bean into big bucks

The gloating face of Mr Bean appeared on an advertisement in last week's *Variety* featuring a mock-up of the magazine with a cover bragging about the Australian box office success of *Bean: The Ultimate Disaster Movie*.

Bean, the film version of the television series starring Rowan Atkinson as the hapless Mr Bean, took US\$8m in its first week in Australia, the fourth highest tally there. It then soared to the top of the box office charts in the Netherlands and New Zealand.

If *Bean* performs as well in other countries, including the UK and Germany, where it opens next month, it could become one of the handful of *bona fide* British blockbusters. Its success would be timely for the UK film industry, which needs to prove that it can make mainstream movies as well as art-house hits to justify continued support from the new Labour government, such as the Budget tax breaks.

Similarly, PolyGram, the Dutch entertainment group that financed *Bean*, is counting on a commercial coup to improve its chances of hauling the fledgling film division, in which it

has invested \$320m, into profit. Blockbusters are rare commodities in the UK film industry, which has never been able to match Hollywood for cash, clout or chutzpah. *The Private Life of Henry VIII* became a global hit in 1933 when Alexander Korda, its charismatic producer, clinched a then-unprecedented \$90,000 budget. Scores of film studios opened in London, only to close after costly flops, and in 1938 the Bank of England mounted an investigation into the industry's finances.

British film remained in a boom-and-bust cycle until 1994, when *Four Weddings and a Funeral* matched the Hollywood blockbusters by taking more than \$250m worldwide. Investment in the revival seems more robust thanks to the critical and commercial success of *Trainspotting* and *Secrets and Lies*, which each cost \$5m and have grossed \$75m and \$55m respectively.

Both films have been extremely profitable, but they belong in the

typically British school of cross-over art house hits. Neither has broken the mould, as *Four Weddings* did, by proving that the UK could vie with Hollywood in the mainstream film market.

A couple of potential British blockbusters are now in the pipeline, including *Spice Girls - The Movie* and *The Borrowers*, a children's fantasy. But the immediate prospect is *Bean*, and its production team has spent six months planning the launch.

The *Bean* team is similar to that of *Four Weddings*. PolyGram financed both films through its Working Title production subsidiary. After playing an amuseurish vicar in *Four Weddings*, Atkinson stars in *Bean*, in which the accident-prone Brit pays a calamitous visit to Los Angeles. He co-wrote the film with Richard Curtis, who scripted *Four Weddings*.

Tim Bevan, co-chairman of Working Title and executive producer of *Bean*, says the main challenge is to establish Mr Bean as a character "worth paying



Picture of anguish: Mr Bean in *The Ultimate Disaster Movie*

\$7.50 to see in a movie" in the UK, Germany, Canada and other countries where the TV series is successful. Similarly, the production team needs to raise awareness in markets such as the US and France, where the series is less well-known.

Several trailers were shot on

the film set, and have been screened in Europe since early spring. Some are aimed at countries with high awareness of Mr Bean, and others at places where he is less familiar. The press advertising and posters have been similarly tailored.

Four Weddings opened in the

US first, and then came to the UK as an established hit. PolyGram decided to repeat the ploy for *Bean* and premiered it in a country where it was a television hit: Australia.

Bean has taken \$10m in three weeks there, helped by a sudden rainy spell. "Wet weather's always great for getting people into the cinema," says Mr Bevan. The film has not only recouped its \$15m production budget in Australia alone, but will now land in Europe as a certified success.

PolyGram has invested heavily on advertising the film in the UK and Germany, hoping children will want to see it during the school holidays. It also hopes that the singles taken from the soundtrack album - released by its Mercury record label - will be as effective at promoting the film as *Four Weddings*.

A BoyZone single from *Bean* goes on sale on Monday. This will be followed by a cover of the Beatles' *Yesterday* by Wet Wet Wet,

whose *Four Weddings* version of *The Troggs' Love Is All Around* topped the UK charts for 15 weeks and sold 3.5m copies worldwide.

Success in Europe will be critical to PolyGram's chances of selling *Mr Bean* with his rubbery face and nerdy tweeds to US and Asian filmgoers, when the movie opens there this autumn.

PolyGram has yet to finalise its marketing strategy for the US, but is already trying to raise awareness of *Bean* within the film industry, starting with the *Variety* advertisement. If the *Ultimate Disaster Movie* is to become another British blockbuster, it must succeed in the US and Asia.

PolyGram is aware that *Bean* will be harder to sell there than *Four Weddings*. Opinions tend to polarise on whether people love or loathe the television character, even in the UK where the programme attracts audiences of up to 18m people.

"Frankly, I don't get it," says the owner of a cinema chain. "I sat stony-faced through the London screening, but all the distributors around me were crying with laughter."

Chinese squeeze boosts zinc

By Susanna Doyle

Zinc continued to push higher yesterday - with the price on the London Metal Exchange reaching a fresh seven-year high.

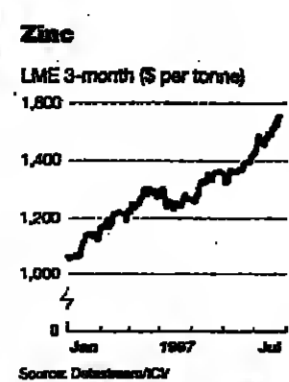
Three-month zinc reached \$1,625 a tonne, bringing gains over the previous two days to \$100 and the month's rise to \$204, or 14 per cent. It ended the day \$53 higher at \$1,624.

The rally, according to analysts, has been fuelled by a battle between "short" Chinese smelters - effectively having bid that prices would fall - and "long" speculators. The Chinese sold heavily short as much as 250,000 tonnes at low prices last year.

Analysts at Macquarie Bank said the screws were tightening in the zinc market. "Everyone in the market is talking about the Chinese squeeze now," they added. "It is speculated that the Chinese have decided to close out their positions in September, cutting their losses. However, if this is the case, cash prices could rise explosively in the coming weeks."

The tight market forced the premium for cash metal over the three-month contract up about \$20 at one point to \$80, before falling back slightly, ending the day at \$55.

The continuing zinc rally pulled aluminium, copper and nickel prices in its wake. "Once one metal gets going, the euphoria tends to spill over," said Mr Robin Bahr, an analyst with brokers



LME 3-month zinc price

Source: Datastream/ICM

LME warehouse stocks*

| | Tonnes | Change |
|-----------------|---------|--------|
| Aluminium | 698,575 | -3,475 |
| Aluminium alloy | 210,225 | +5,325 |
| Copper | 173,841 | +650 |
| Nickel | 53,618 | +54 |
| Zinc | 400,330 | -3,480 |
| Tin | 11,100 | -110 |

*Thursday's close

Brandenburg. Aluminium climbed \$31 to a peak of \$1,691 a tonne, the highest level since March 7.

Nickel added \$405 in the space of a couple of hours to end at \$7,180 a tonne; copper added \$22 to \$2,374; tin rose \$80 to \$5,390; lead went up \$7 to \$653.

Oil prices staged a strong late rally in London yesterday before the International Petroleum Exchange closed down early after a series of power failures.

Brokers said the rally took place on the back of strength in the US gasoline market. Brent blend for September delivery last traded 10 cents higher at \$18.54 a barrel.

"US gasoline broke through \$2.50, found some buying, then took off from there and that spilled over into the rest," said one broker.

WEEKLY PRICE CHANGES

| | Latest price | Change on week ago | 1997 High | 1997 Low |
|------------------------|--------------|--------------------|------------|------------|
| Gold per troy oz. | \$325.70 | +1.35 | \$335.30 | \$319.15 |
| Silver per troy oz. | \$262.00 | +5.50 | \$269.50 | \$253.30 |
| Aluminium 99.7% (cash) | \$1,624.50 | +99.00 | \$1,717.50 | \$1,419.50 |
| Copper Grade A (cash) | \$2,374.50 | +71.00 | \$2,404.50 | \$2,317.50 |
| Lead (cash) | \$653.00 | +4.50 | \$657.50 | \$648.50 |
| Nickel (cash) | \$5,390.00 | +54.00 | \$5,444.00 | \$5,336.00 |
| Zinc SHG (cash) | \$1,624.50 | +53.00 | \$1,677.50 | \$1,574.50 |
| Tin (cash) | \$5,390.00 | +54.00 | \$5,444.00 | \$5,336.00 |
| Cocoa Futures Jul | \$1,583.00 | -22.00 | \$1,605.00 | \$1,561.00 |
| Coffee Futures Jul | \$1,583.00 | -22.00 | \$1,605.00 | \$1,561.00 |
| Sugar (LDP) Sep | \$20.10 | +0.00 | \$20.10 | \$20.10 |
| Barley (LDP) Sep | \$27.00 | -0.50 | \$27.50 | \$26.50 |
| Wheat Futures Sep | \$27.50 | -0.25 | \$27.75 | \$27.25 |
| Wheat (LDP) Index | \$1,350.00 | +0.40 | \$1,354.00 | \$1,346.00 |
| Wool (LDP) Index | \$22.50 | +0.25 | \$22.75 | \$22.25 |
| Oil (Brent Blend) | \$18.54 | +0.51 | \$19.05 | \$18.03 |

For more on these markets see FT 26/27, p. 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.

WORLD BOND PRICES

Markets tread water

By Greta Steyn in London and John Labate in New York

European and US bond markets did little more than tread water yesterday, reflecting on the solid gains this week after bullish comments made on Tuesday by Mr Alan Greenspan, the chairman of the US Federal Reserve.

The foreign exchange market continued to influence sentiment on European markets, with speculation that Germany would raise interest rates to defend the beleaguered D-Mark continuing. But prices were little changed amid predictions that the bull run would resume.

UK Gilts benefited from the growing belief that interest rates might not have to rise as much as initially feared, as the surge in sterling would be disinflationary.

Gilts ended the day in positive territory and managed to outperform bonds.

The market ignored second-quarter gross domestic product figures which suggested another rise in interest rates next month.

Mr David Brown, the chief European economist for Bear Stearns in London, said the market had already factored in another interest rate rise.

Looking beyond that hike, it was increasingly beginning to look as if the economy would not need such a heavy dose of monetary tightening.

A further positive factor for the UK market was the fact that it was "the last preserve" of high yields in the major European economies.

The September future settled 1/4 higher at 115 1/2, from 115 1/4, and the spread between 10-year bonds and gilts fell below 150 basis points for the first time in three weeks.

ITALIAN BTPs ended the day mixed, but the tone was

positive. The September future settled marginally higher at 137.98 from 137.89. Analysts said the belief that Italian interest rates would come down was fuelling domestic demand.

GERMAN BONDS continued to be plagued by interest rate fears, pulling the yield curve flatter. The September bond future ended slightly lower at 102.91 from 103.05.

FRENCH OATs were also weaker, but closed off the day's lows. The September future settled at 130.60 from a low of 130.24, marginally down from a previous 130.78.

US TREASURIES edged modestly higher by mid-afternoon in spite of the release of higher-than-expected durable goods data for June.

Prices initially sank lower on the news but rose higher as buyers moved in. The benchmark 30-year Treasury bond rose 1/4 at 102 1/2, yielding 6.428 per cent. Shorter-term issues were largely unchanged.

"We're in a well-established range until we get some new information next week," said Mr Tom O'Connell, senior government trader at First Chicago Capital Markets.

Durable goods orders, a closely-watched barometer of future economic activity, rose by 2.3 per cent in June, the largest rise since January.

Although an important leading indicator, the durable goods report is also volatile, as single industries can greatly influence monthly changes.

In June, a surge in orders for Boeing was among the biggest factors behind the rise in orders, although other sectors showed strength as well.

A spate of important economic reports is expected next week, including non-farm payrolls, gross domestic product and the July purchasing managers report.

COMMODITIES AND AGRICULTURE

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 months

Close 1650.5-51.0 1651.5-52.5

Previous 1643.4 1649.9

High/Low 1653.0/1652.0

AM Official 1650.5-51.0 1651.5-52.5

Karb close 1648.85

Open int. 273,155

Total daily turnover 116,125

ALUMINIUM ALLOY (\$ per tonne)

Close 1450.55 1479.80

Previous 1435.45 1469.70

High/Low 1450.55 1479.80

AM Official 1450.55 1479.80

Karb close 1450.10

Open int. 5,257

Total daily turnover 1,257

LEAD (\$ per tonne)

Close 632.5-33.0 643.4-3.5

Previous 634.5 647.8

High/Low 632.5-33.0 643.4-3.5

AM Official 632.5-33.0 643.4-3.5

Karb close 632.53

Open int. 36,541

Total daily turnover 7,027

NICKEL (\$ per tonne)

Close 6700-705 6800-305

Previous 6700-705 6800-305

High/Low 6700-705 6800-305

AM Official 6700-705 6800-305

Karb close 6700-705

Open int. 50,425

Total daily turnover 16,730

TIN (\$ per tonne)

Close 5305-15 5355-65

Previous 5305-15 5355-65

High/Low 5305-15 5355-65

AM Official 5305-15 5355-65

Karb close 5305-15

Open int. 15,172

Total daily turnover 2,858

ZINC, special high grade (\$ per tonne)

Close 1658-5.5 1658-9.5

Previous 1658-9.5 1658-9.5

High/Low 1658-9.5 1658-9.5

AM Official 1658-9.5 1658-9.5

Karb close 1658-9.5

Open int. 99,201

Total daily turnover 42,126

COPPER, grade A (\$ per tonne)

Close 2360.5-61.0 2315-15

Previous 2336.9 2289.90

High/Low 2360.5-61.0 2315-15

AM Official 2360.5-61.0 2315-15

Karb close 2360.5-61.0

Open int. 23,747

Total daily turnover 44,905

LME AM Official 2/5 rate: 1.6675

LME Closing 2/5 rate: 1.6800

Spot 1.6843 3 mos: 1.6911 6 mos: 1.6935 9 mos: 1.6941

HIGH GRADE COPPER (COMEX)

Settle 114.50 114.50 114.50 915 2,492

Aug 114.50 114.50 114.50 915 2,492

Sep 114.50 114.50 114.50 915 2,492

Oct 114.50 114.50 114.50 915 2,492

Nov 114.50 114.50 114.50 915 2,492

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Mar 114.50 114.50 114.50 915 2,492

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May 114.50 114.50 114.50 915 2,492

Jun 114.50 114.50 114.50 915 2,492

Jul 114.50 114.50 114.50 915 2,492

Precious Metals continued

GOLD COMEX (100 Troy oz, \$/troy oz)

Settle 325.70 325.70 325.70 325.70 325.70

Aug 325.70 325.70 325.70 325.70 325.70

Sep 325.70 325.70 325.70 325.70 325.70

Oct 325.70 325.70 325.70 325.70 325.70

Nov 325.70 325.70 325.70 325.70 325.70

Dec 325.70 325.70 325.70 325.70 325.70

Jan 325.70 325.70 325.70 325.70 325.70

Feb 325.70 325.70 325.70 325.70 325.70

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Apr 325.70 325.70 325.70 325.70 325.70

May 325.70 325.70 325.70 325.70 325.70

Jun 325.70 325.70 325.70 325.70 325.70

Jul 325.70 325.70 325.70 325.70 325.70

CURRENCIES AND MONEY

Dollar gains

MARKETS REPORT
By Simon Kuper

The dollar climbed further yesterday, but it made larger gains against the yen and Swiss franc than against the D-Mark as Bundesbank officials threatened to defend their stricken currency.

Mr. Reinhold Jochimsen, Bundesbank council member, hinted that the bank might raise interest rates in order to support the D-Mark. He said the council's decision on Thursday to set a fixed rate for only two weeks of a four-week summer break was a sign of this. He suggested that the Bundesbank might move to a variable rate to support the D-Mark. That could make an interest rate rise more likely.

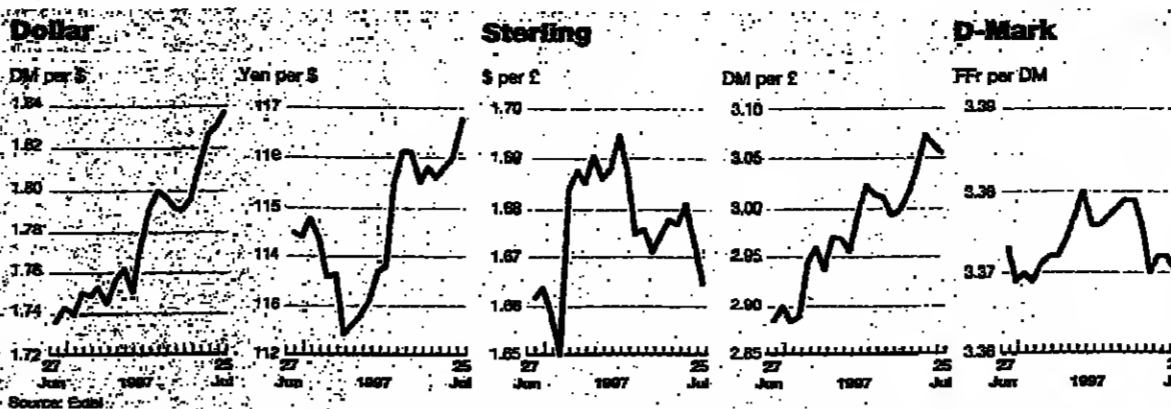
Mr. Jochimsen said: "Normally, our monetary policy is not dictated by exchange rate considerations. Now we want to make it known that in view of the weakness of

the D-Mark, we are looking at the road immediately ahead." He denied that the Bundesbank had considered concerted intervention to boost the D-Mark, saying that that tactic seldom worked.

His fellow council member, Mr. Franz-Christoph Zeiler, also mentioned the repo rate decision. "We are especially looking at the D-Mark's external value," he said. "We did not want to go away for four weeks without

scope to react."

Few foreign strategists think the Bundesbank will raise rates. Mr. Nick Stamenkovic, economist at DKB International in London, said the officials were trying to stop traders from viewing the D-Mark as a one-way bet.



The dollar rose only 0.6 pence against the German currency to close in London at DM1.887, taking its gains for the week to 4.6 pence. The D-Mark has suffered from belief that European monetary union will merge it into a weak euro.

The dollar rose more sharply against the Swiss franc yesterday, hitting a four-year high and closing at Sfr1.514. It gained 1.8 pence against the yen to Y116.8, helped by tame Japanese

inflation data and a relatively upbeat quarterly report from the Bank of Japan. Mr. Steve Barrow, currency strategist at Banque Nationale de Paris in London, said: "There have been a few orders around to sell dollars, yet the market has absorbed that well."

The pound fell slightly to DM3.058 against the D-Mark and \$1.855 to the dollar.

even jeopardise Emu. With so many out of work, France and other European countries have no wish to have to copy a German rate rise.

A shift from a fixed to a variable repo rate would look far more innocuous. But it could result in a de facto rate rise, if on a few weeks' time when they are at the beach. There is little sign that the weak D-Mark is fuelling inflation. German import prices for June actually showed a slight month-on-month fall.

But Mr. Carl Weinberg, chief economist at High Frequency Economics in New York, said that in 48 years of Bundesbank history, the bank had changed monetary policy for exchange rate reasons only once, in 1992. The council would hardly repeat this step in two weeks' time when they are at the beach. There is little sign that the weak D-Mark is fuelling inflation. German import prices for June actually showed a slight month-on-month fall.

| POUND SPOT FORWARD AGAINST THE POUND | | | | | | |
|--|-----------|-------------------|---------------|-----------------|-----------|--------------|
| Jul 25 | | Closing mid-point | Change on day | Day's mid-point | One month | Three months |
| Europe | | | | | | |
| Austria | (Sfr) | 21.525 | -0.020 | 21.506 | 21.498 | 21.481 |
| Belgium | (Bfr) | 63.123 | -0.002 | 63.121 | 63.098 | 63.023 |
| Denmark | (DKr) | 11.827 | -0.017 | 11.810 | 11.816 | 11.812 |
| France | (FFr) | 16.538 | -0.012 | 16.526 | 16.526 | 16.526 |
| Germany | (DM) | 1.887 | -0.004 | 1.883 | 1.883 | 1.883 |
| Greece | (Dr) | 477.851 | -0.004 | 477.847 | 477.847 | 477.847 |
| Ireland | (Ir£) | 7.785 | -0.002 | 7.783 | 7.783 | 7.783 |
| Italy | (Lira) | 2078.12 | -1.88 | 2076.24 | 2076.24 | 2076.2 |
| Luxembourg | (Lfr) | 63.123 | -0.002 | 63.121 | 63.098 | 63.023 |
| Netherlands | (Gld) | 1.887 | -0.004 | 1.883 | 1.883 | 1.883 |
| Norway | (Nkr) | 12.644 | -0.028 | 12.616 | 12.617 | 12.618 |
| Portugal | (Esc) | 308.951 | -0.45 | 308.497 | 308.496 | 308.705 |
| Spain | (Pta) | 207.851 | -0.01 | 207.841 | 207.842 | 207.842 |
| Sweden | (Skr) | 13.175 | -0.025 | 13.151 | 13.183 | 13.140 |
| Switzerland | (Sfr) | 2.521 | -0.01 | 2.511 | 2.507 | 2.5105 |
| UK | (£) | | | | | |
| USA | (\$) | 1.5453 | -0.009 | 1.542 | 1.5416 | 1.543 |
| SEPA | | 1.2253 | | | | |
| Asia/Pacific | | | | | | |
| Argentina | (Peso) | 1.8643 | -0.008 | 1.856 | 1.857 | 1.861 |
| Brazil | (R\$) | 1.810 | -0.008 | 1.802 | 1.801 | 1.807 |
| Canada | (C\$) | 2.000 | -0.003 | 1.996 | 2.0125 | 2.028 |
| Mexico | (New Pes) | 12.837 | -0.003 | 12.834 | 12.833 | 12.838 |
| USA | (£) | 1.5451 | -0.002 | 1.542 | 1.5418 | 1.5434 |
| SEPA | | | | | | |
| Asia/Pacific | | | | | | |
| Australia | (A\$) | 2.257 | -0.004 | 2.253 | 2.2438 | 2.2572 |
| Hong Kong | (H\$) | 12.837 | -0.003 | 12.831 | 12.859 | 12.886 |
| India | (Rupee) | 56.741 | -0.002 | 56.739 | 56.739 | 56.722 |
| Indonesia | (Rp) | 1,543 | -0.005 | 1,538 | 1,5402 | 1,5414 |
| Japan | (Yen) | 116.43 | -0.005 | 116.43 | 116.43 | 116.43 |
| Malaysia | (M\$) | 4.411 | -0.017 | 4.394 | 4.4034 | 4.4092 |
| New Zealand | (NZ\$) | 2.521 | -0.004 | 2.517 | 2.517 | 2.517 |
| Philippines | (Peso) | 47.820 | -0.450 | 47.370 | 47.822 | 47.816 |
| Saudi Arabia | (Riyal) | 6.241 | -0.001 | 6.240 | 6.2378 | 6.2414 |
| Singapore | (S\$) | 2.521 | -0.018 | 2.503 | 2.5242 | 2.5354 |
| South Africa | (Rand) | 1.5412 | -0.002 | 1.540 | 1.5402 | 1.5402 |
| South Korea | (W\$) | 1,485.27 | -0.38 | 1,480 | 1,4822 | 1,4814 |
| Taiwan | (N\$) | 1,545.62 | -0.212 | 1,540 | 1,540.78 | 1,540.78 |
| Thailand | (Baht) | 55.7409 | -0.001 | 55.740 | 55.7409 | 55.7409 |
| UK | (£) | | | | | |
| USA | (\$) | 1.5453 | -0.009 | 1.542 | 1.5416 | 1.543 |
| SEPA | | | | | | |
| Thurs 25 for Jul 26, Banker's closing. Pound Spot table shows only the last three decimal figures. All figures are quoted in current interest rates, unless otherwise indicated by the Bank of England. These average rates are shown in both this and the next table. The average rates are calculated by the Bank of England. The average rates are quoted in current interest rates, unless otherwise indicated by the Bank of England. These average rates are shown in both this and the next table. The average rates are calculated by the Bank of England. These average rates are quoted in current interest rates, unless otherwise indicated by the Bank of England. These average rates are shown in both this and the next table. The average rates are calculated by the Bank of England. These average rates are quoted in current interest rates, unless otherwise indicated by the Bank of England. These average rates are shown in both this and the next table. 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UNIT TRUSTS

WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

| | |
|-------------------------------|-------|
| HSBC Hong Kong Growth | 1,619 |
| Invesco Hong Kong & China | 1,582 |
| Old Mutual North American Inc | 1,448 |
| Govett Greater China | 1,418 |
| HSBC American Index | 1,378 |

Govett Greater China

| | |
|------|-------|
| 1996 | 1,400 |
| 1997 | 1,418 |

BOTTOM FIVE OVER 1 YEAR

| | |
|----------------------------|-----|
| Old Mutual Thailand Acc | 408 |
| Save & Prosper Gold & Exp | 494 |
| Mercury Gold & General | 592 |
| Waverley Australasian Gold | 599 |
| Save & Prosper Korea | 629 |

TOP FIVE OVER 3 YEARS

| | |
|----------------------------|-------|
| Proflig Technology | 2,510 |
| Hill Samuel US Smaller Cos | 2,502 |
| PM North America Growth | 2,366 |
| Franklin Health | 2,298 |
| HSBC Hong Kong Growth | 2,121 |

Save & Prosper Korea

| | |
|------|-------|
| 1994 | 1,000 |
| 1995 | 800 |
| 1996 | 600 |
| 1997 | 400 |

TOP FIVE OVER 5 YEARS

| | |
|-------------------------------|-------|
| Proflig Technology | 4,479 |
| HSBC Hong Kong Growth | 4,303 |
| Gartmore American Emer Growth | 4,254 |
| PM North America Growth | 4,054 |
| Hill Samuel US Smaller Cos | 3,849 |

Proflig Technology

| | |
|------|-------|
| 1992 | 1,000 |
| 1993 | 2,000 |
| 1994 | 3,000 |
| 1995 | 4,000 |
| 1996 | 5,000 |
| 1997 | 6,000 |

TOP FIVE OVER 10 YEARS

| | |
|-------------------------------|-------|
| HSBC Hong Kong Growth | 6,241 |
| Hill Samuel US Smaller Cos | 6,154 |
| F&C US Small Companies | 5,987 |
| Gartmore Hong Kong | 5,469 |
| Gartmore American Emer Growth | 5,054 |

Gartmore Hong Kong

| | |
|------|-------|
| 1987 | 1,000 |
| 1988 | 2,000 |
| 1989 | 3,000 |
| 1990 | 4,000 |
| 1991 | 5,000 |
| 1992 | 6,000 |

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

| Indices | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-----------------------------|------------|------|------|------|------------|-----------|
| Average Unit Trust | 1083 | 1255 | 2070 | 2185 | 3.1 | 2.5 |
| Average Investment Trust | 1190 | 1280 | 2254 | 2374 | 4.4 | 5.1 |
| Bank | 1034 | 1112 | 1204 | 1830 | 0.0 | 4.9 |
| Building Society | 1031 | 1111 | 1211 | 1836 | 0.0 | 4.7 |
| Stockmarket: FTSE All-Share | 1278 | 1826 | 2371 | 2703 | 2.5 | 3.4 |
| Inflation | 1029 | 1088 | 1131 | 1547 | 0.4 | - |

| UK Growth | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-------------------------------|------------|------|------|------|------------|-----------|
| Johnson Fry Stater Growth | 1281 | 1876 | 2544 | - | 3.5 | 0.9 |
| Perpetual UK Growth | 1088 | 1820 | 2011 | - | 2.9 | 1.9 |
| Perpetual UK Exempt | 1225 | 1744 | 2094 | - | 2.5 | 2.6 |
| Barclays UK Special Sits | 1229 | 1658 | 2761 | 1857 | 2.8 | 2.0 |
| Britannia Balanced Growth Inc | 1248 | 1655 | 2324 | 2151 | 2.8 | 1.3 |
| SECTOR AVERAGE | 1143 | 1438 | 2119 | 1925 | 2.7 | 1.8 |

| UK Growth & Income | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|---------------------------------|------------|------|------|------|------------|-----------|
| Fleming Select UK Income | 1332 | 1680 | 2463 | 2280 | 2.7 | 3.7 |
| Perpetual Income | 1221 | 1642 | 2698 | 2565 | 2.4 | 2.8 |
| Legal & General UK Stockmkt Acc | 1249 | 1617 | - | - | 2.6 | 2.6 |
| HSBC Focus Fund | 1345 | 1615 | - | - | 2.7 | 1.4 |
| Lazard UK Income & Growth | 1190 | 1605 | 2210 | 2324 | 2.6 | 3.3 |
| SECTOR AVERAGE | 1186 | 1442 | 2068 | 2144 | 2.6 | 2.8 |

| UK Smaller Companies | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-------------------------------|------------|------|------|------|------------|-----------|
| Gartmore UK Smaller Companies | 1108 | 1790 | 2609 | 1635 | 3.4 | 0.3 |
| Laurence Keen Smaller Cos | 1087 | 1755 | - | - | 2.9 | 1.2 |
| INVESTCO UK Smaller Companies | 1067 | 1755 | 2694 | 1585 | 3.8 | 1.3 |
| AES Smaller Companies | 993 | 1649 | 2207 | - | 3.0 | 0.9 |
| Britannia Smaller Cos's Acc | 1086 | 1614 | 2906 | 1806 | 3.1 | 0.4 |
| SECTOR AVERAGE | 876 | 1278 | 1996 | 1449 | 2.9 | 1.6 |

| UK Equity Income | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|---------------------------------|------------|------|------|------|------------|-----------|
| Jupiter Income | 1166 | 1816 | 3448 | - | 2.6 | 4.0 |
| Lazard UK Income | 1182 | 1621 | 2388 | 2771 | 2.5 | 4.2 |
| BWD UK Equity Income | 1249 | 1551 | 2394 | 2389 | 2.7 | 3.4 |
| Britannia High Yield Inc | 1167 | 1573 | 2538 | 2741 | 2.4 | 3.9 |
| River & Mercantile First Income | 1232 | 1550 | 2370 | - | 2.8 | 4.1 |
| SECTOR AVERAGE | 1167 | 1395 | 2107 | 2131 | 2.5 | 4.4 |

| UK Equity & Bond Income | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|--------------------------------|------------|------|------|------|------------|-----------|
| Proflig Extra Income | 1134 | 1435 | 2097 | 2004 | 2.1 | 4.4 |
| Aberly National Extra Income | 1226 | 1412 | 2385 | 2486 | 2.2 | 6.1 |
| Clor Med Retirement Income Inc | 1177 | 1403 | 2092 | - | 2.7 | 5.8 |
| CIS UK Income | 1183 | 1400 | 2012 | - | 2.2 | 4.1 |
| Cazenove UK Equity & Bond | 1125 | 1389 | - | - | 3.0 | 5.4 |
| SECTOR AVERAGE | 1131 | 1298 | 1902 | 1827 | 2.1 | 5.4 |

| UK Eq & Bd | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|--------------------------------|------------|------|------|------|------------|-----------|
| BWD Balanced Portfolio | 1228 | 1628 | 2537 | - | 3.0 | 1.4 |
| Perpetual High Income | 1211 | 1562 | 2501 | - | 2.9 | 3.2 |
| Credit Suisse High Income Port | 1133 | 1495 | 2358 | - | 2.4 | 4.3 |
| Canlife Income Dis | 1198 | 1468 | 2058 | 2003 | 2.0 | 3.7 |
| Henry Cooke Balanced | 1104 | 1421 | - | - | 1.7 | 2.7 |
| SECTOR AVERAGE | 1152 | 1406 | 2125 | 2041 | 2.3 | 3.0 |

| UK Fixed Interest | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-------------------------------|------------|------|------|------|------------|-----------|
| M&G Corporate Bond | 1174 | 1366 | - | - | 1.8 | 6.8 |
| Abnvest Fixed Interest | 1100 | 1344 | 2164 | 2475 | 1.5 | 6.5 |
| Thornion Preference Inc | 1084 | 1333 | 1670 | 2267 | 1.8 | 8.3 |
| Henderson Preference & Bond | 1115 | 1309 | 1596 | 1888 | 1.4 | 8.0 |
| Proflig Pref & Fixed Interest | 1110 | 1306 | 1580 | - | 1.7 | 6.6 |
| SECTOR AVERAGE | 1081 | 1238 | 1827 | 1963 | 1.7 | 6.7 |

| UK Gift | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-------------------------------|------------|------|------|------|------------|-----------|
| M&G Gift & Fixed Interest | 1155 | 1335 | 1457 | 1989 | 1.9 | 8.2 |
| Gartmore PS Fixed Interest | 1127 | 1276 | 1463 | - | 1.7 | 7.0 |
| Murray Aoumen Reserve | 1098 | 1281 | 1435 | - | 1.4 | 6.8 |
| Mercury Long-Dated Bond | 1129 | 1246 | - | - | 2.1 | 5.7 |
| Schroder Gift & Fixed Int Acc | 1077 | 1237 | 1405 | - | 1.8 | 7.2 |
| SECTOR AVERAGE | 1069 | 1189 | 1370 | 1970 | 1.5 | 5.9 |

| International Equity Income | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|----------------------------------|------------|------|------|------|------------|-----------|
| GT International Income Inc | 1130 | 1401 | 2208 | 2613 | 2.3 | 2.1 |
| Martin Currie Int'l Income | 1179 | 1392 | 2178 | - | 2.5 | 3.3 |
| Dolphin Int'l Gth & Income | 1117 | 1358 | 2018 | 1343 | 2.6 | 1.3 |
| Mayflower Global Income | 1118 | 1328 | 2102 | 2094 | 2.3 | 3.4 |
| Barclays Int'l International Inc | 1164 | 1300 | 2000 | 1867 | 2.4 | 1.4 |
| SECTOR AVERAGE | 1129 | 1305 | 2059 | 2043 | 2.4 | 2.9 |

| International Fixed Interest | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|----------------------------------|------------|------|------|------|------------|-----------|
| Baring Global Bond | 1008 | 1229 | 1615 | - | 1.5 | 6.2 |
| Barclays Int'l European Bond Inc | 1040 | 1194 | - | - | 1.0 | 5.7 |
| Old Mutual Worldwide Bond Inc | 973 | 1180 | 1459 | - | 1.7 | 5.0 |
| Newton International Bond | 1018 | 1154 | 1527 | - | 2.1 | 5.7 |
| AES Int'l Bond & Convertible | 1020 | 1143 | 1463 | - | 1.3 | 6.4 |
| SECTOR AVERAGE | 927 | 1054 | 1349 | 1657 | 1.8 | 5.1 |

| International Equity & Bond | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-------------------------------|------------|------|------|------|------------|-----------|
| Bank of Ireland Ex Mgd Growth | 1148 | 1487 | 2069 | - | 2.0 | 2.4 |
| Fleming General Opportunities | 1193 | 1419 | 1896 | - | 2.3 | 3.2 |
| Newton Intrepid | 1153 | 1409 | - | - | 2.9 | 1.4 |
| Baillie Gifford Managed | 1149 | 1390 | 2005 | 2412 | 2.3 | 2.5 |
| Capel-Cure Hallmark Growth | 1221 | 1385 | 1887 | 2092 | 2.3 | 1.6 |
| SECTOR AVERAGE | 1101 | 1261 | 1820 | 2122 | 2.1 | 2.4 |

| International | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-------------------------------|------------|------|------|------|------------|-----------|
| Proflig Technology | 1113 | 2510 | 4479 | 4783 | 6.5 | - |
| Franklin Health | 997 | 2286 | 2775 | 4985 | 6.9 | - |
| Save & Prosper Financial Secs | 1350 | 1939 | 3350 | 3118 | 3.0 | 1.3 |
| Save & Prosper Growth | 1320 | 1767 | 3155 | 3044 | 2.7 | 1.8 |
| Scott Equitable Technology | 1184 | 1765 | 2974 | 4303 | 4.7 | 0.7 |
| SECTOR AVERAGE | 1110 | 1295 | 2170 | 2225 | 3.2 | 1.0 |

| Nth America | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|------------------------------|------------|------|------|------|------------|-----------|
| Hill Samuel US Smaller Cos's | 1108 | 2502 | 3849 | 6154 | 5.2 | - |
| PM North America Growth | 1317 | 2366 | 4054 | 4680 | 4.3 | 0.1 |
| Edinburgh North American | 1248 | 2065 | 3625 | 3614 | 3.4 | 0.8 |
| Fidelity American Spec Sits | 1242 | 2063 | 3085 | 3621 | 4.7 | - |
| Royal Life United States | 1316 | 2018 | 3728 | 3634 | 3.6 | 0.3 |
| SECTOR AVERAGE | 1201 | 1886 | 2880 | 3081 | 3.8 | 0.5 |

| Europe | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-------------------------------|------------|------|------|------|------------|-----------|
| Jupiter European | 1129 | 1891 | 3336 | 4747 | 3.1 | 0.2 |
| Baring Europe Select | 1144 | 1871 | 3088 | 2941 | 3.5 | 0.6 |
| Alfred Dunbar European Growth | 1234 | 1838 | 3108 | 2911 | 3.7 | 0.1 |
| Friends European Growth | 1232 | 1830 | 2914 | - | 2.6 | - |
| INVESTCO European Growth | 1204 | 1759 | 3390 | 3168 | 3.8 | - |
| SECTOR AVERAGE | 1163 | 1475 | 2401 | 2745 | 3.0 | 0.7 |

| Japan | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|------------------------|------------|-----|------|------|------------|-----------|
| Martin Currie Japan | 951 | 945 | 2275 | - | 5.4 | - |
| GT Japan Growth | 940 | 929 | 1867 | 1550 | 3.5 | - |
| Newton Japan | 963 | 902 | 1931 | 1330 | 4.9 | - |
| Martin Currie Far East | 867 | 902 | 1913 | 1164 | 5.3 | - |
| Murray Japan Growth | 825 | 867 | - | - | 4.5 | - |
| SECTOR AVERAGE | 815 | 711 | 1572 | 1238 | 5.2 | 0.2 |

| Far East inc Japan | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|------------------------------|------------|------|------|------|------------|-----------|
| Govett Greater China | 1418 | 1424 | 3132 | 3538 | 4.8 | - |
| Abnvest Pacific | 927 | 1076 | 2271 | 2887 | 3.9 | 0.3 |
| Schroder Far East Growth Inc | 939 | 1055 | 2207 | - | 4.3 | - |
| Newton Oriental Income Inc | 1039 | 1046 | 2148 | 2249 | 4.6 | 0.2 |
| Thornion Oriental Income Inc | 1028 | 1034 | 1780 | 1915 | 3.4 | 3.5 |
| SECTOR AVERAGE | 938 | 940 | 2008 | 2011 | 4.2 | 0.8 |

| Far East exc Japan | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|----------------------------|------------|------|------|------|------------|-----------|
| HSBC Hong Kong Growth | 1619 | 2121 | 4308 | 6241 | 6.4 | 0.2 |
| INVESTCO Hong Kong & China | 1582 | 1690 | 3217 | 3775 | 6.3 | 0.3 |
| Old Mutual Hong Kong | 1328 | 1550 | 3033 | 4432 | 6.5 | 0.8 |
| GT Orient Acc | 1099 | 1491 | 3178 | - | 5.1 | - |
| Gartmore Hong Kong | 1344 | 1494 | 3611 | 5469 | 6.1 | 0.7 |
| SECTOR AVERAGE | 972 | 1060 | 2232 | 3104 | 5.2 | 0.7 |

| Best Peps | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|-------------------------------|------------|------|------|------|------------|-----------|
| Jupiter European | 1129 | 1891 | 3336 | - | 3.1 | 0.2 |
| Save & Prosper Financial Secs | 1350 | 1939 | 3350 | 3118 | 3.0 | 1.3 |
| Johnson Fry Stater Growth | 1281 | 1876 | 2544 | - | 3.5 | 0.9 |
| Alfred Dunbar European Growth | 1234 | 1838 | 3108 | 2911 | 3.7 | 0.1 |
| Friends European Growth | 1232 | 1830 | 2914 | - | 2.6 | - |
| SECTOR AVERAGE | 1255 | 1830 | 2122 | - | 2.8 | 2.8 |

| Property | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|------------------------|------------|------|------|----|------------|-----------|
| Abnvest Property Share | 1216 | 1211 | 2444 | - | 5.0 | 1.9 |
| Barclays UK Property | 1058 | 1135 | 1322 | - | 0.9 | 5.5 |
| Northwich Property | 1073 | 1086 | 1490 | - | 1.1 | 5.8 |
| SECTOR AVERAGE | 1095 | 1144 | 1752 | - | 1.7 | 4.6 |

| Commodity & Energy | 1 year (%) | 3 | 5 | 10 | Volatility | Yield (%) |
|--------------------------------|------------|------|------|------|------------|-----------|
| M&G Australasian & General Acc | 1853 | 1307 | 2895 | 1336 | 4.7 | 1.8 |
| M&G Commodity & General | 1308 | 1102 | 2101 | 1645 | 4.8 | 0.6 |
| Save & Prosper Commodity | 148 | 946 | 1774 | 1529 | 8.7 | - |
| Hill Samuel Natural Resources | 129 | 933 | 1538 | 1248 | 4.7 | 0.6 |
| Alfred Dunbar Metals Min Comm | 444 | 896 | 1289 | 1151 | 4.8 | 0.2 |
| SECTOR AVERAGE | 169 | 870 | 1891 | 1124 | 6.0 | 0.7 |

| | | | | | |
|---------------------------------|------|------|------|------|-----|
| SECTOR AVERAGE | 1088 | 1220 | 2162 | 21 | |
| ■ Investment Trust Units | | | | | |
| Quaker Investment Trusts Inc | 1122 | 1368 | 2562 | 3.1 | 0.6 |
| Equitable Trust of Invest Tsts | 1122 | 1298 | 2350 | 2611 | 2.7 |
| Quaker High Inc Inv Tst Acc | 1180 | 1281 | 2491 | | 2.6 |
| M&G Fund of Investment Trusts | 1084 | 1272 | 2122 | 2402 | 3.1 |
| Save & Prosper ITU | 1038 | 1246 | 2144 | 2323 | 2.9 |

MANAGED FUNDS SERVICE

| Yield 2 1/2" | Ball Charge | Ball Weight Pounds | Shooting Price | • or • | Yield 3 1/2" | Ball Charge | Ball Weight Pounds | Shooting Price | • or • |
|-----------------|----------------|--------------------------|-------------------|-----------|-----------------|----------------|--------------------------|-------------------|-----------|
|-----------------|----------------|--------------------------|-------------------|-----------|-----------------|----------------|--------------------------|-------------------|-----------|

[illegible]

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of AUEFSS

Initial charges: Charges made by a unit trust manager. Used to defray marketing and administrative costs, including commission on the first sale. This charge is included in the buying price of units.

Buying prices: Also called offer price. The price at which units are bought by investors.

Selling price: Also called bid price. The price at which units are sold by investors.

Historic pricing: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers' must deal of a forward price on request, and may move to forward pricing at any time.

Treatment of manager's periodic

charges: The letter E declares that the trustee shall act for the benefit of the trust's creditors and that the trustee shall not be liable for the payment of the full details of the effects of this course of action.

Exit charges: The letter E declares that no exit charge may be imposed when you sell, unless the trustees have agreed to do so.

Time: The time shown alongside the fund's name is the time at which the fund's valuation point occurs earlier than time is shown by the trustee and the time shown in the individual unit trust here. The symbols are as follows: 12 months (12M), 18 months (18M), 24 months (24M), 36 months (36M), 48 months (48M), 60 months (60M), 72 months (72M), 84 months (84M), 96 months (96M), 108 months (108M), 120 months (120M), 132 months (132M), 144 months (144M), 156 months (156M), 168 months (168M), 180 months (180M), 192 months (192M), 204 months (204M), 216 months (216M), 228 months (228M), 240 months (240M), 252 months (252M), 264 months (264M), 276 months (276M), 288 months (288M), 300 months (300M), 312 months (312M), 324 months (324M), 336 months (336M), 348 months (348M), 360 months (360M), 372 months (372M), 384 months (384M), 396 months (396M), 408 months (408M), 420 months (420M), 432 months (432M), 444 months (444M), 456 months (456M), 468 months (468M), 480 months (480M), 492 months (492M), 504 months (504M), 516 months (516M), 528 months (528M), 540 months (540M), 552 months (552M), 564 months (564M), 576 months (576M), 588 months (588M), 600 months (600M), 612 months (612M), 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- **NOTES**
 - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax.
 - Net: Rate of interest payable after allowing for deduction of basic rate income tax.
 - Gross/GV: Gross rate annuitised to take account of 'compounding of interest paid other than once a year.' 'Compounded Annual Rate'.
 - Int Gr: Frequency at which interest is credited to the account.

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Offshore Insurances and Other Funds

Offshore Insurances and Other Funds

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صکات من الاموال

WORLD STOCK MARKETS

US stocks overcome weakness

AMERICAS

US stocks overcame early weakness at midsession, sending leading indices higher and keeping the Dow Jones Industrial Average above the 8,100-point level, writes John Labate in New York.

By early afternoon the Dow Jones Industrial Average had risen 18.11 at 8,136.74. The broader Standard & Poor's 500 index was also slightly higher, gaining 0.79 at 941.07. After a week that had seen an important address by the Federal Reserve chairman, the Dow's advance followed four straight days of solid gains.

This left the Dow nearly 3 per cent higher on the week, which had seen the index close above the 8,100-point level for the first time ever. "Only 10 of the 90 S&P industry groups are down for the week, so you've had some broad participation for the week," said Mr. Thomas McKenna, chief investment strategist at NatWest Securities. He added that oil and gas, defence, and gold companies were among the worst industry performers during the week.

As long bond yields reached their lowest point this year, another factor behind the week's rise on

Wall Street was that investors moved out of bond futures and into S&P stock futures. The bond markets were also changed little, with the long bond trading up 1/8 at 102 1/2, at a yield of 6.40 per cent.

Some cyclical stocks moved lower as International Paper fell 1/4 at \$57 1/2. But among other Dow stocks, Wal-Mart surged 1 1/2 at \$38 1/2, and Philip Morris, the tobacco company, gained 1/4 at \$44.

Technology stocks were widely mixed as the Nasdaq composite index rose 2.36 at \$1,571.39. Microsoft gained \$1 1/2 at \$139 1/2, while Dell Computer plunged 5/8 at \$163 1/2 and rival Compaq Computer slid 3/4 at \$138 1/2.

Banking stocks had a mixed morning as Citicorp lost 1/4 at \$127 1/2 and Bank America gained 1/4 at \$72 1/2. TORONTO slipped from record morning highs at midsession with the TSE-300 composite index just 2.44 ahead at 6,787.59 in volume of 38.5m shares. Earlier, the index peaked at an all-time intra-day high of 6,803.71.

Ten of Toronto's 14 sub-indices gained in morning trade, led by real estate and gold, while conglomerates led the metals, merchandising and pipelines lower.

Buenos Aires buoyant

BUENOS AIRES's blue-chip Merval index rose 5.11 to 841.23, adding to the market's gains in the past three sessions. Traders said it benefited from volatility in SAO PAULO, where a lack of news meant the Bovespa index traded off 49 at 12,475.

MEXICO CITY posted strong gains at the open and recovered from profit-taking during the previous session, encouraged by recent earnings reports.

The leading IPC index was up 50.08 in early trading at

4,812.73, led by Telcel, where a broker upgrade pushed the L shares up 30 centavos to 20.50 pesos. Cifra also rose, with B shares up 30 centavos to 15.50 pesos on Wal-Mart's announcement that it had begun a tender offer for a majority interest in the retailer.

SANTIAGO's IPSA index pushed higher for the fourth day running in strong trade, up 1.29 at 134.13 amid speculation over second-quarter earnings.

EUROPE

The dollar's strength against the franc and Wall Street's opening gains took PARIS up to another all-time closing high. The opening of the new monthly account also helped boost liquidity.

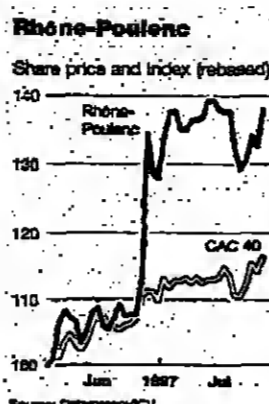
The CAC-40 index closed 52.41 higher at 3,025.94, beating the previous peak set on Wednesday.

Rhône-Poulenc was up FFr10.5 at FFr259 after announcing second-quarter net profit at FFr934m, up from FFr777m a year ago.

The dollar-sensitive stocks moved ahead. Among them, Schneider rose FFr19.40 to FFr350 after reporting first-half sales up 9 per cent on a year earlier.

LVMH added FFr17 to FFr1,629, with the home market positive on its prospects of securing a favourable deal from the offers and counter-offers traded with GrandMet and Guinness.

AMSTERDAM swung round in late trade to end a dull session in positive territory after Wall Street's firmer opening kindled fresh enthusiasm.



The Rhône-Poulenc share price and index (rebased) from June 1997 to July 1997.

The AEX index ended 3.78 up at 989.03, after spending most of the day down on Thursday's close.

Buying interest was turning to cyclical stocks, and a large beneficiary was chemical and drugs group Akzo Nobel, which added F15.90 to F129 in late trade.

Sector rival DSM, also set to report next week, finished 20 cents higher at F122 after spending most of the day in negative territory.

FRANKFURT gathered pace in late electronic trade

and the Ibis-indicated Dax index finished 48.02 or 1.1 per cent higher at 4,368.54, with the firmer dollar providing support.

Among the banks, Commerzbank picked up DM1.76 to close at DM64.06 after a rollercoaster day. Veritasbank gave up DM5.85 to DM59.05 and Hypo-Bank was 30p easier at DM78 on profit-taking after the sharp rise that greeted news of their planned merger earlier in the week.

Siemens finished DM3 higher at DM124.50 in a positive response to Thursday's meeting with analysts.

Porsche ended the day DM50 higher at DM2,850 on a press report that the sports car maker would post a net profit of DM100m to the year to July, up from DM48.1m.

ZURICH was flat as profit-taking offset the positive effects of the firmer dollar. The SMI index slipped 2.2 to 5,847.0.

Some dollar-sensitive stocks were supported by the dollar's surge above SF1.50. Holderbank, the cement group, rose SF17 to SF171.34.

FTSE Actuaries Share Indices

| Jul 26 | | THE EUROPEAN SERIES | | | | | | | | | |
|---------------------|---------|---------------------|---------|---------|---------|---------|---------|---------|--|--|--|
| Hourly charges | Open | 16.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close | | | |
| FTSE Euro Stoxx 100 | 2761.70 | 2757.81 | 2755.83 | 2756.19 | 2756.04 | 2753.13 | 2755.38 | 2755.74 | | | |
| FTSE Euro Stoxx 200 | 2726.45 | 2723.60 | 2721.78 | 2721.71 | 2721.84 | 2719.83 | 2722.85 | 2724.59 | | | |
| | Jul 24 | Jul 23 | Jul 22 | Jul 21 | Jul 18 | | | | | | |
| FTSE Euro Stoxx 100 | 2768.34 | 2774.82 | 2678.77 | 2643.10 | 2701.63 | | | | | | |
| FTSE Euro Stoxx 200 | 2735.89 | 2747.71 | 2668.97 | 2639.26 | 2693.30 | | | | | | |

COMPANIES AND FINANCE

RBS in talks to acquire Midshires

By Christopher Brown-Humes

Royal Bank of Scotland is in detailed talks to acquire Birmingham Midshires, the UK's fifth largest building society. A price tag of about \$650m is being discussed.

A deal would provide Midshires' 1.2m members with an average windfall of more than £500 - much lower than recent payouts from converting societies such as Halifax and Woolwich.

If Midshires abandoned mutualism, it would be a blow to the sector just as it was celebrating brighter prospects after Nationwide members decisively voted against conversion to a bank. But it would give RBS some of the enhanced retail presence south of the border it has long coveted. Finalisation of the deal is believed to be some weeks away.

Intense speculation has surrounded Midshires for 18 months, leading to an influx

of some 300,000 "carpetbaggers" in the last year. Earlier this week, the society suspended new account openings. On Monday, it will launch a new set of accounts, with identical interest rates, but they will not carry the membership rights necessary for a windfall.

Midshires has 115 branches in the Midlands, the south-west and north-west. It has assets of about £7.7bn and last year

made profits of £70.7m, up 13 per cent on 1995. Mr Mike Jackson, Midshires chief executive, said earlier this week it was "not for sale and no decision had been taken on a change in corporate form". But the society has also said its adviser, JP Morgan, was exploring options, including possible flotation or sale.

Many analysts believe it is too small to float and would prefer to be acquired by a listed company.

Midshires would hope that a deal with RBS would give it greater independence, permitting brand retention and avoiding the heavy branch closures that an agreement with an English competitor might entail. Such an arrangement would be similar to Bank of Ireland's \$500m purchase of Bristol & West.

RBS has made no secret of its ambitions to gain more customers through a variety of distribution channels,

including Direct Line and its personal finance link with Tesco. The bulk of its branch network and customer base is north of the border. It might see the purchase as a platform for further acquisitions to achieve a nationwide presence.

Midshires would only confirm that it talked to the bank about the launch of a joint credit card later this month. The bank would not comment.

Guinness and GrandMet defend plan

By David Blackwell

Guinness and Grand Metropolitan yesterday launched a robust defence of their original May 12 plan to create a £24bn food and drink conglomerate.

Mr Bernard Arnault, the French businessman trying to derail the plan, had made all the running with a series of highly publicised moves, including resignation from the Guinness board on Monday. But analysts yesterday thought the two UK groups were firmly back on the front foot, the day after Mr Arnault arrived in the City to start a charm offensive on institutional investors.

"They seem to have turned the public relations battle in their favour," said one analyst. "They have shot down a lot of the claims made by LVMH about added value."

"They have come in hard and said the arithmetic does not work," said another.

"The story was clear - they were not going to talk about demergers and were not prepared to pay a premium for Mott Hennessy."

Mr Arnault, chairman of LVMH, the French luxury goods group, is campaigning for a three-way drinks merger that includes LVMH's Mott Hennessy. By reducing his stake in Guinness to 12.5 per cent, he has built up his Guinness holding to more than 11 per cent, and is the highest single shareholder in both groups.

Whether he will build his GrandMet stake further is subject to much speculation. If he were to go to 25 per cent he would be able to vote on the plan to create Guinness and GrandMet shares will be swapped in order to create GNG brands.

"If we find that there are rocks in the road, we will drive round them," said Mr Philip Yee, Guinness director designate of GNG. This implied that the two groups would change the scheme of arrangement if necessary.

Any change would subject the new group to stamp duty of about £55m. That would probably be considered immaterial in the context of the overall benefits to be had - although other problems are likely to surface over a 35 per cent minority holding.

Institutional investors do not want to see the situation get too confrontational. The more conservative are particularly keen not to lose the gains in both shares since the merger was announced - although LVMH itself would be the biggest loser.

However, Mr Arnault is not without support. One institutional investor yesterday said GNG would end up with "a ragbag collection of consumer interests" that would dilute the value of the Guinness brands. "I would be prepared to tolerate that only if Mott Hennessy was brought into the picture," said the investor.

Pendragon pays Lex £44m for 17 franchises

By Christopher Price

The consolidation of UK car dealerships moved up a gear yesterday when Pendragon agreed to buy 17 franchises from Lex Service for £44m (£73.5m).

The deal will make Pendragon the largest car dealer in the UK and marks a significant move by the company into the "volume", or mass-market, car sector.

Pendragon will fund the deal through a £66m 4-for-7 rights issue at 25p. Shares in the group fell 35p yesterday to 313.4p.

The company also announced expansion agreements with Ford and Vauxhall, which between them own 14 of the franchises. This would require £52m of investment over the next three years.

Mr Trevor Finn, chief executive, said the creation of "major market areas" echoed the development of car retailing in the US.

"Competition between the same brands in the same areas destroys profits. The manufacturers are at last realising that," Mr Finn said.

The National Franchised Dealers Association said intense competition had led to the number of franchises falling by about 10 per cent to 6,000 in the last year.

The 17 franchises made profits of £3.4m, down 35 per cent, on sales of £349m in 1996. Mr Finn said Pendragon's similar set-up with Volvo had led to improved margins through economies of scale.

Mr Andrew Harrison, chief executive of Lex, said the company was leaving volume car sales because of poor returns.

He believed the market, where new car sales rose just 2 per cent last year, would continue to struggle against the luxury, or specialist, market. Lex would now concentrate on its specialist dealerships and leasing, and diversify into other areas such as servicing. Shares in Lex rose 2 1/2p yesterday to 403p.

The rights issue is being underwritten by Merrill Lynch, which was yesterday appointed stockbroker to Pendragon after BZW was replaced.

See Lex

BI buys Cortworth in £93.6m deal

By Robert Anderson

Cortworth, the UK specialist engineering company bought by its management from Williams in 1993 for £40.3m (£67.3m), is to be sold to BI Group for £93.6m.

Cortworth's management, led by Mr Bill McMurray, chief executive and Mr Graham Wagster, finance director, owns just over 20 per cent of the equity, and will receive about £19m.

BI, a specialised engineering subsidiary of the Kuwaiti-listed National Industries Corporation, is offering 196p a share in cash, a 25.6 per cent premium to Thursday's closing

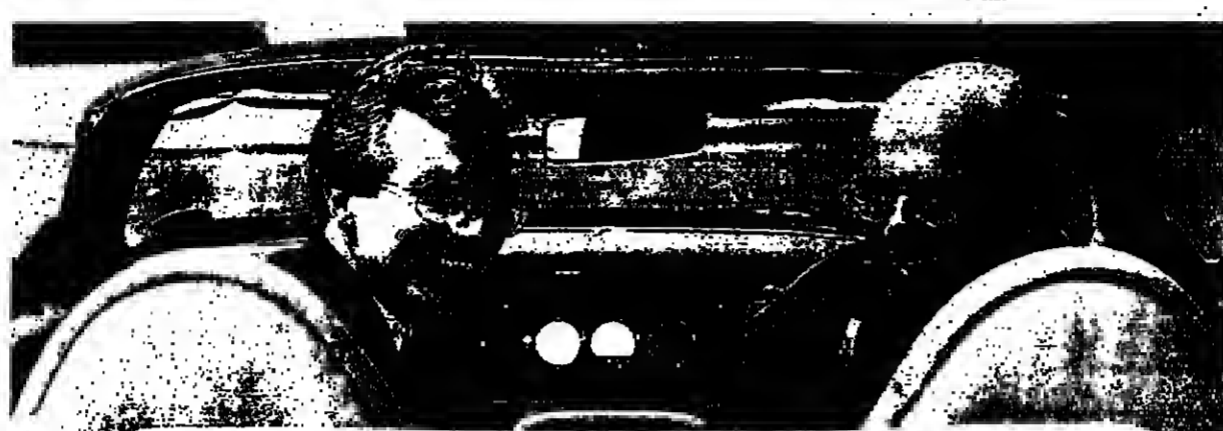
price. There is a loan note alternative.

The sale price is well above Cortworth's £71.6m value when floated in 1996, but about its market peak in April 1996.

Analysts said the price had weakened partly because investors had been disappointed that acquisitions had not been made. The group has underperformed the engineering sector over the past year.

In 1996 Cortworth made pre-tax profits of £10.1m on turnover of £67.2m. Its year-end net assets were £25.5m.

The acquisition is BI's first since it was taken over by NIC for £96.3m last year.



Sitting comfortably: Andrew Harrison (left) with Sir Trevor Chinn, Lex Service chairman

Volume switch for car dealers

By Christopher Price

Both Pendragon and Lex Service produced firm increases in profits yesterday as the motor dealership groups announced their divergent strategies.

Pendragon, which is adding Lex's volume business to its luxury car dealerships and leasing, and diversifying into other areas such as servicing. Shares in Lex rose 2 1/2p yesterday to 403p.

The rights issue is being underwritten by Merrill Lynch, which was yesterday appointed stockbroker to Pendragon after BZW was replaced.

See Lex

of Mr Andrew Harrison as chief executive.

Operating profits from the retail business fell 20 per cent to £3.9m.

In contrast, profits from vehicle leasing rose 17 per cent to £10.5m. There was also a 14 per cent increase, to £6.6m, from the forklift truck division.

The group's Hyundai dealership almost trebled profits to £3.6m.

Earnings per share rose 12 per cent to 19.1p. The interim dividend is increased 6 per cent to 6.8p.

Pendragon's figures were lifted by strong performance from its Jaguar and Volvo franchises.

In addition, sales of Fiat cars, where the group has the greater London franchise, were also firm.

Earnings per share increased 16 per cent to 11.8p.

COMMENT

Pendragon's reputation for sure-footedness looked a little shaky after yesterday's deal. True, the development of large market areas has worked well for dealers in the US and for the UK rival Reg Vardy. Pendragon has taken the canny step of agreeing large area monopolies with the manufacturers supplying its new franchises.

But this cannot disguise the fact that sales in the volume car market are soggy and industry forecasts hardly encouraging. Pendragon will rightly argue that it should be able to extract higher margins from the Lex purchase through its monopoly position, tighter controls and economies of scale. But until the volume car market itself shows signs of recovery, the benefits of the deal are likely to be overshadowed. Pre-tax profit forecasts of about

£15.5m (£12.6m) put the shares on a prospective price of some 13 times. This is a 15 per cent discount to the market and looks about right.

The deal holds out brighter prospects for Lex. It is left to concentrate on higher margin businesses, while the development of new businesses, such as repairs and servicing, looks promising. Proceeds from the deal, together with the sale of part of its stake in a Taiwanese venture, will wipe out debts over the next year. With the remainder of the Taiwanese investment valued at £120m, speculation about a share buy-back or special dividend appears justified. Pre-tax profit forecasts of £58m put the shares on a forward price of about 10.

While the challenge for Lex is to put together a consistent run of results, the rating looks somewhat harsh.

NEWS DIGEST

R Dutch/Shell in electricity deal

Royal Dutch/Shell has signed an agreement with Bechtel, the US engineering concern, to negotiate the purchase of a 50 per cent stake in International Generating Company, Bechtel's power generation subsidiary.

The move is part of Shell's plan to expand its interests in electricity over the next five years. Its Shell International Gas offshoot is aiming to complete negotiations by the end of September. Shell declined to comment on the possible price of the acquisition.

The company already has power projects in Peru, Namibia and the Philippines.

International Generating is a leading global developer of power projects. It has four plants under construction in the UK, Mexico, Colombia and the Philippines, with a proposed combined output of 2,145MW.

In addition, the company has seven contracts or mandates for developing an extra 4,775MW of capacity and is also pursuing a further 20 schemes with a total capacity of 10,000MW.

Stefan Wagstyl

Britannia bids for BB&EA

As foreshadowed this week, Britannia Group yesterday launched an agreed offer for British Building & Engineering Appliances, its rival construction services company.

The bid of 75p cash a share values Essex-based BB&EA at about £8.4m. Britannia already holds or has acceptances representing 55.25 per cent of its target's equity.

Britannia, cash-rich following the £10m sale of its housebuilding division in July last year, has been seeking a purchase to complement existing activities. Mr Christopher Powell, chairman, said that as part of a larger group, BB&EA would be in a better position to maximise the value of its businesses, which would be reviewed at an early stage to assess their potential.

BB&EA has swung in and out of profit since being demerged in 1982 from BM Group, the engineer now known as Brunel Holdings. It reported a modest pre-tax profit of £24.0m on sales of £18.2m for the six months to December 91.

BB&EA shares firmed 2p to 78p, while Britannia hardened 2 1/2p to 32 1/2p. Henry Ansbacher is acting for Britannia. BB&EA is advised by Albert E Sharp.

Brunel yesterday announced the sale of its Titman Tip Tools subsidiary and its German offshoot to Howle Holdings for £2.15m cash, including repayment of inter-company debt. Brunel said the deal completed its disposal programme, begun some 18 months ago. Howle is funding its move through a placing and open offer of 8.25m shares on a 3-for-7 basis at 28p.

Graham Deller

Avocet placing to raise £5.4m

Avocet Mining has conditionally allotted 3.25m ordinary shares by way of a private placing at 165p to raise about £5.4m.

The proceeds of the placing, which involves shares representing less than 10 per cent of the existing capital, will be used to repay certain outstanding loans and provide working capital.

The directors said the group's working capital forecasts assumed a rise in tungsten prices and a "successful rescheduling" of a number of loan repayments. Failing either of these, a further fundraising exercise or "alternative sources" of working capital might be required. Avocet's shares fell 8p to 168p yesterday.

RESULTS

| | Turnover (£m) | Pre-tax profit (£m) | RPS (p) | Current payment (p) | Date of payment | Dividends corresponding dividend | Total for year | Total last year |
|-------------|---------------------------------|---------------------|-------------|---------------------|-----------------|----------------------------------|----------------|-----------------|
| Hearts | Yr to May 31 452 (434) | 1,541 (24) | 25.5 (34.1) | - | - | - | - | - |
| Lex Service | 6 mths to June 30 777.3 (812.1) | 30.5 (27.7) | 19.1 (17) | 6.8 | Sept 4 | 6.4 | - | 16 |
| Pendragon | 6 mths to June 30 369.1 (286.5) | 6.86 (5.85) | 11.8 (10.2) | 3.6 | Aug 29 | 3.3 | - | 9.9 |

| | NAV (p) | Attributable earnings (£m) | RPS (p) | Current payment (p) | Date of payment | Dividends corresponding dividend | Total for year | Total last year |
|----------------------|-----------------------------------|----------------------------|--------------|---------------------|-----------------|----------------------------------|----------------|-----------------|
| Baring TSBank * | 6 mths to June 30 525 (457.5) | 2.87 (2.2) | 5.6 (4.29) | 2.2 | Sept 15 | 2 | - | 7.8 |
| City of London * | 3 mths to June 30 - | - (1) | - | 1.34† | Aug 29 | 1.3 | - | 5.6 |
| Edinburgh UK Trust * | 6 mths to June 30 195.31 (165.83) | 1.33 (1.44) | 3.02 (2.97) | 2.2 | Aug 29 | 2.2 | - | 5.3 |
| General Income * | 3 mths to June 30 44.25 (41.07) | 0.873 (1.05) | 0.747 (0.84) | 0.875‡ | Aug 29 | 1.78 | - | 7.2 |
| Heathcote Electric | Yr to May 31 302.7 (276.8) | 3.98 (4.19) | 4.3 (4.63) | 2 | Sept 26 | 1.95 | 3.8 | 3.65 |
| Howe & Sons Ltd * | 6 mths to June 30 183.1 (166.8) | 0.02 (0.107) | 0.09 (0.72) | - | - | - | - | - |
| Scottish National * | 9 mths to June 30 110.3 (80.4) | 11.3 (10.3) | 7.1 (6.5) | 24 | Oct 7 | 2 | - | 8.6 |
| Templeton Emerging * | Yr to Apr 30 154.77 (137.96) | 7.44 (5.8) | 1.71 (1.44) | 1.1 | Aug 27 | 1 | 1.1 | 1 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. †After exceptional credit. ‡Ten increased 50p. §Comparatives restated. § Excludes special dividend 1.2p. ¶Amount payable to both ordinary and income shareholders under new capital structure. †Third interim; makes 5.8p.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. On increased capital. Comparatives restated. Excludes special 1.2p. Amount payable to both ordinary and income shareholders under new capital structure. Third interim, makes 5.6p to date.

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US healthcare chief quits amid FBI probe

By Tracy Corrigan in New York

Mr Richard Scott, the founder and current head of America's largest healthcare provider resigned from Columbia/HCA yesterday, as the company attempted to end management turmoil.

Mr Scott, until yesterday chairman and chief executive officer, had come under mounting pressure to leave the company due to an investigation into the company's practices by the Federal Bureau of Investigation.

The investigation allegedly cen-

tered on the company's billing practices under federal programmes for people on low income and the elderly, which could result in criminal charges and fines. The FBI and other authorities have seized records in dozens of Columbia hospitals in at least seven states. No charges have yet been made.

Mr Thomas Frist, vice-chairman of the board, was named chairman and chief executive officer, replacing Mr Scott. Mr David Vandewater, president and chief operating officer, also resigned. Mr Scott and Mr Vandewater said that through-

out their tenure they had acted "honourably and in the best interest of the company," according to Columbia/HCA statement. Mr Scott said the decision to resign was "the ultimate demonstration of our commitment to Columbia's mission."

The company is currently in discussions with a potential buyer, Tenet Healthcare, a large US hospital company, but uncertainty over potential fines and other liabilities resulting from the investigation is said to be blocking progress.

Columbia also faces a number of shareholder lawsuits as a result

of the investigation.

Columbia shares rallied 2 per cent on the news to \$36 1/2, still sharply down from a high of \$44 1/2 within the last year. However, the shares have bounced from lows earlier this year, following the revelation of merger talks.

Mr Scott, the aggressive 44-year-old entrepreneur behind the dramatic rise of Columbia, ran a company whose 10-member board was made up partly of former executives of companies bought by Columbia in its rapid 10-year growth to become the largest US

hospitals company. In the course of that expansion, Mr Scott's aggressive cost-cutting has provoked controversy, including clashes with unions. Until recently his aggressive marketing, coupled with tight cost controls, had found favour on Wall Street where he was viewed as leading the way in the changing environment of US healthcare.

Mr Frist said the company would co-operate fully with government agencies and ensure that "all Columbia facilities and employees are in full compliance with the law".

INTERNATIONAL NEWS DIGEST

JCI sells stake in Johnson Matthey

JCI, the South African mining house, yesterday sold its 8.6 per cent stake in Johnson Matthey, the UK based precious metals and engineering group, for about £104m (\$174m). The first block controlled South African mining group said the sale would help pay for a 28.7 per cent stake in Lonrho, the UK conglomerate. Merger talks between JCI and Lonrho were broken off this month but then the South African company entered into a put and call option to acquire the stake for £2.45bn (\$3.97bn).

The Lonrho shares are being sold by Anglo American, South Africa's biggest company, and by its associates, the Beers and Southern Life Association.

SBC Warburg said yesterday it had been asked by JCI to dispose of the Johnson Matthey holding. The 18.9m shares were bought by Warburg for \$50p each and then placed with institutions, many of them existing Johnson Matthey holders, at 50p. After news of the deal emerged, the Johnson Matthey price rose 3 1/2 p to 51p.

The options on the Lonrho shares can be exercised in December. Analysts pointed out that JCI would not have in mind but the deal to raise sterling well ahead of the option date would give JCI much more flexibility in the approach it might take.

Mark Ashurst, Johannesburg, and Kenneth Gossling, London.

JAPANESE BREWING

Dealing halves Sapporo profits

Sapporo Breweries, one of Japan's big three beer makers, reported a 50 per cent drop in recurring profits for the first half of 1997, mainly due to losses on its securities portfolio. After-tax profits fell 70.1 per cent to ¥1,258m (\$11m).

Lower beer sales were also a factor; overall sales were down 6.3 per cent to ¥21.1bn, and beer sales fell 3 per cent. The drop was at least partly attributable to an increase in the consumption tax from April 1, which has hit consumer spending in general.

Cool weather in May and June, the start of the key beer-drinking season, also depressed sales, but a initiative in July, and strong sales of beer as mid-year presents, may help second-half figures.

The strength of Sapporo's main rival, Asahi Breweries, is squeezing other brewers' market share with the popularity of its Asahi Super Dry brand. Asahi is expected to announce a leap in profits for the first half.

Sapporo has cut its forecasts for the full year. It now sees unconsolidated pre-tax profits at ¥13.5bn, rather than ¥15.5bn, and sales at ¥60bn, down from the previous estimate of ¥63bn.

Bethan Hutton, Tokyo.

NATURAL RESOURCES

Noranda makes modest gains

Noranda, one of the world's largest resource companies, reported net earnings of \$58m (US\$58m) on sales of \$2.6bn in the second quarter, up slightly from earnings of \$55m on sales of \$2.5bn last year. Price increases in zinc, copper, aluminium, lumber, pulp and newsprint over first-quarter levels offset lower prices for natural gas, oil, nickel, silver, gold and lead, said Mr David Kerr, chairman. Noranda's mining and metals group earned \$37m in the quarter ending June 30, up 25 per cent from the first quarter. Earnings from oil and gas operations dropped to \$31m from \$28m.

Scott Morrison, Vancouver.

Alfa gears up for the road to redemption

Famous Italian marque is targeting sales of 200,000 next year and plans investment in new models

Car companies habitually trumpet performance figures for their products. But the kind of acceleration Italy's Alfa Romeo is predicting for its sales next year are extravagant by any standard.

Mr Roberto Testore, chief executive of Fiat Auto, Alfa's parent company, says the sports car maker will reach 200,000 sales next year - no less than a 67 per cent rise over 1996. And, he asserts, there is no longer concern about the commercial viability of a famous marque plagued for years by a reputation for low quality and so-so products.

Mr Testore, who took over the top job at Fiat Auto 15 months ago, believes Alfa Romeo's new sports saloon range, the 156, will become by far the single biggest-selling model in the company's 70-year history.

If it is the success Mr Testore so confidently predicts, it could at last mean Alfa

providing some kind of financial return to Fiat, which has pumped \$6bn into the struggling subsidiary over the past five years in a bid to turn it round.

Fiat does not report separate financial results for Alfa, which accounts for less than 10 per cent of its total production. But Alfa has been a burden since Fiat took it over from the state a decade ago.

"We wanted once again to create and produce a real Alfa Romeo sporting saloon," says Mr Testore of the 156, which is to be launched in September and which he says he hopes "will sell at least 100,000 units annually".

That is nearly twice the peak volume of the 155 model it succeeds, however. Some industry analysts say the target is highly optimistic, especially as Mr Testore makes clear the main target is the formidable BMW 3-series.



The Alfa Romeo 156 represents a chance to finally make a return for parent Fiat

Alfa Romeo has struggled for years. Last year it sold just 120,000 cars, compared with more than 215,000 in 1990. Apart from quality problems, the company suffered from a lack of coherence in its model range.

But Mr Testore's forecast of 200,000 sales next year is

not just based on the 156. The last of Alfa's new model launches in the investment programme - under which the entire Alfa line-up is being renewed - will also be on sale by the middle of 1998.

It is the replacement for the company's 164 large executive car, expected to be

called the 166. However, sceptics say even if Alfa's sales do approach the 200,000 level next year, it will be due more to actions by the Italian government than a big upsurge in Alfa Romeo's market appeal.

Financial incentives by the government to encour-

age new car sales in Italy have lifted domestic demand by nearly one-third this year, and they are still gaining momentum. The year-on-year rise in June was nearly 51 per cent.

Mr Testore acknowledges the incentives' substantial effect, but, he maintains, "they are accounting for only around one-half of our own sales uplift".

From now on Alfa Romeo's model range will be the subject of systematic renewal, with each car having a six-year life, including facelifts. The 145, 146, Spider and GTV models thus all face renewal within Fiat Auto's next five-year investment programme until the year 2002, during which \$12bn is to be spent on a total of 15 new Alfa, Fiat and Lancia models.

But first, Alfa must prove it can live up to Mr Testore's ambitious sales prediction.

John Griffiths

Pharmaceuticals lead Rhône-Poulenc advance

By Samer Iskandar in Paris

Rhône-Poulenc, the French chemicals group, yesterday announced second-quarter net income of FF934m (\$153m), up 20.2 per cent from the same period last year.

Sales were up 5.3 per cent at FF23.4bn. The company

attributed the improvement to higher operating income. Pharmaceuticals led the advance, with sales increasing 10.6 per cent, against an 8.4 per cent rise in animal and plant health, and 8.7 per cent in chemicals.

In the first half net income was up 14 per cent at FF1.61bn, while sales grew

7.4 per cent to FF4.5bn. Currency gains were the largest contributor to growth, boosting turnover by 4.7 per cent in the first half, while in volume terms sales grew only 4.3 per cent.

Mr Jean-René Fourout, chairman and chief executive, said the group would maintain its "objective of

increasing earnings per share by 20 per cent" in the full year, excluding exceptional items. Earnings per share were up 17.4 per cent at FF2.83 in the second quarter.

Although the results were in line with expectations, the shares rose 4.2 per cent to close at FF259.

Earlier this month Goldman Sachs, the US investment bank, reiterated its expectation that Rhône-Poulenc shares would continue to outperform the market.

It said analysts' valuations would change as a result of the company's shift from the chemicals sector to pharmaceuticals.

Last month Rhône-Poulenc announced plans to focus on pharmaceuticals by bidding for the 32 per cent stake it did not hold in Rhône-Poulenc Rorer (RPR), its US-listed drugs arm. It also said it would sell off part of its chemicals businesses. A formal offer to minority shareholders of RPR is expected.

FT/S&P ACTUARIES WORLD INDICES

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| NATIONAL AND REGIONAL MARKETS | | | | | | | | | |
|--|---------|--------|---------|---------|---------|---------|--------|--------|---------|
| Figures in parentheses show number of lines of stock | | | | | | | | | |
| | US | Day's | Point | Local | Local | Gross | US | Day's | Point |
| | Dollar | Change | Index | Index | Index | Div. | Dollar | Change | Index |
| | Index | % | | | | Yield | Index | % | |
| Australia (78) | 235.02 | -0.3 | 204.45 | 170.83 | 221.77 | 210.28 | -0.3 | 289.86 | 208.05 |
| Austria (25) | 200.41 | -0.3 | 171.56 | 148.92 | 180.73 | 148.05 | -0.3 | 171.07 | 221.98 |
| Belgium (29) | 259.73 | -0.8 | 224.00 | 188.02 | 241.48 | 236.57 | -0.4 | 259.29 | 225.12 |
| Brazil (53) | 286.12 | 0.6 | 284.13 | 258.72 | 283.72 | 283.64 | 0.8 | 286.34 | 261.33 |
| Canada (127) | 223.30 | 0.2 | 195.18 | 161.51 | 208.88 | 203.58 | 0.4 | 186.77 | 193.30 |
| Denmark (52) | 207.53 | -0.5 | 255.27 | 204.22 | 261.95 | 260.52 | -0.5 | 154.43 | 208.77 |
| France (259) | 355.17 | 1.3 | 270.58 | 223.73 | 290.48 | 284.14 | 1.8 | 301.16 | 285.50 |
| Germany (84) | 228.52 | -0.1 | 202.47 | 167.53 | 217.48 | 221.28 | -0.8 | 238.77 | 203.51 |
| Hong Kong, China (99) | 238.43 | -1.8 | 208.82 | 171.13 | 222.18 | 222.18 | -1.7 | 127.87 | 208.71 |
| India (17) | 238.23 | 0.1 | 477.75 | 365.32 | 418.16 | 385.37 | 0.7 | 238.51 | 474.58 |
| Indonesia (27) | 222.27 | -1.0 | 198.53 | 162.95 | 211.54 | 205.57 | -0.7 | 1.82 | 225.89 |
| Ireland (17) | 372.69 | 0.1 | 330.20 | 273.22 | 354.89 | 358.09 | 0.2 | 372.41 | 328.41 |
| Italy (54) | 104.30 | -1.4 | 92.41 | 76.48 | 86.26 | 138.72 | -1.1 | 1.71 | 105.79 |
| Japan (489) | 136.29 | 0.5 | 121.29 | 100.38 | 130.28 | 130.36 | 0.7 | 136.14 | 120.05 |
| Malaysia (107) | 479.83 | 1.1 | 424.56 | 351.63 | 458.47 | 488.37 | 1.4 | 1.41 | 474.54 |
| Mexico (27) | 1715.42 | 0.9 | 1518.84 | 1257.61 | 1632.57 | 1488.52 | 0.7 | 1.28 | 1700.40 |
| Netherlands (19) | 426.24 | -0.5 | 377.64 | 312.48 | 405.65 | 401.18 | -0.4 | 1.94 | 428.86 |
| New Zealand (14) | 51.10 | -1.1 | 50.71 | 46.78 | 58.70 | 74.55 | 0.5 | 3.32 | 50.13 |
| Norway (19) | 320.23 | -1.0 | 283.72 | 234.77 | 304.78 | 327.72 | -0.4 | 1.88 | 323.58 |
| Philippines (22) | 142.17 | -0.4 | 125.89 | 104.22 | 135.50 | 208.69 | -0.3 | 1.00 | 140.59 |
| Singapore (42) | 385.89 | -1.2 | 341.80 | 292.91 | 367.23 | 289.82 | -0.4 | 1.16 | 390.51 |
| South Africa (4) | 357.28 | -0.4 | 316.88 | 282.21 | 340.99 | 358.43 | -0.5 | 2.42 | 358.16 |
| Spain (33) | 247.20 | -0.3 | 219.01 | 181.23 | 235.26 | 238.51 | -0.2 | 2.30 | 254.84 |
| Sweden (49) | 505.08 | -0.9 | 447.50 | 370.29 | 480.69 | 508.89 | -0.2 | 1.75 | 508.78 |
| Switzerland (23) | 515.12 | -0.9 | 479.19 | 391.02 | 528.90 | 528.58 | -0.1 | 1.15 | 517.81 |
| Thailand (42) | 52.77 | -2.7 | 52.77 | 48.22 | 54.54 | 71.14 | 1.6 | 1.24 | 55.62 |
| United Kingdom (219) | 519.08 | -0.7 | 252.59 | 238.91 | 303.65 | 292.68 | -0.2 | 3.58 | 321.27 |
| USA (842) | 381.28 | 0.4 | 337.81 | 278.53 | 362.87 | 381.28 | 0.4 | 1.51 | 379.53 |
| Americas (820) | 348.85 | 0.4 | 308.90 | 255.61 | 331.81 | 289.63 | 0.4 | 1.80 | 347.41 |
| Europe (710) | 280.84 | -1.0 | 248.82 | 205.89 | 267.28 | 267.38 | -0.9 | 2.41 | 283.68 |
| Nordic (150) | 428.95 | -0.5 | 380.05 | 314.47 | 405.34 | 435.05 | 0.3 | 1.95 | 431.48 |
| Pacific Basin (891) | 154.88 | 0.4 | 137.04 | 113.40 | 147.21 | 114.81 | 0.6 | 1.24 | 154.02 |
| Euro-Pacific (1507) | 207.35 | -0.4 | 183.71 | 152.01 | 197.33 | 172.17 | -0.1 | 1.80 | 206.15 |
| North America (708) | 371.30 | 0.3 | 328.87 | 272.21 | 353.37 | 370.58 | 0.4 | 1.81 | 370.00 |
| Europe Ex. UK (803) | 253.70 | -1.2 | 224.78 | 188.00 | 241.45 | 251.78 | -0.5 | 1.78 | 258.73 |
| Pacific Ex. Japan (209) | 330.34 | 0.0 | 274.07 | 228.78 | 294.40 | 277.80 | 0.1 | 2.89 | 308.51 |
| Pacific Ex. US (1825) | 211.34 | -0.1 | 187.24 | 154.94 | 201.13 | 179.12 | -0.1 | 1.88 | 212.05 |
| World Ex. UK (2254) | 280.41 | 0.1 | 230.72 | 190.92 | 247.84 | 232.95 | 0.2 | 1.58 | 280.24 |
| World Ex. Japan (1982) | 331.27 | -0.1 | 289.50 | 242.88 | 315.27 | 283.89 | 0.0 | 1.94 | 331.65 |
| The World Index (2467) | 285.48 | 0.0 | 235.21 | 194.83 | 252.06 | 237.15 | 0.1 | 1.75 | 285.50 |

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The Financial Times plans to publish a Survey on

Defence Industries

on Thursday, August 28

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FT Surveys

FTSE GOLD MINES INDEX

| Index | Jul 24 | % chg | Jul 25 | Year | Gross div | P/E | 52 week |
|---------------|---------|-------|---------|---------|-----------|-----|------------------|
| Jul 24 on day | 1338.28 | -0.8 | 1338.28 | 1931.44 | 2.35 | - | 207.40/1 1270.14 |

at Regional Indices

| | | | | | | | |
|--------------------|---------|------|---------|---------|------|-------|-------------------|
| Alfa (14) | 1992.57 | -2.7 | 1451.21 | 2638.52 | 1.85 | 22.51 | 2775.06/1 1294.08 |
| Asia (16) | 1594.86 | -0.2 | 1472.04 | 2281.52 | 3.15 | 16.54 | 2465.02/1 1234.10 |
| North America (71) | 1351.27 | -0.2 | 1348.01 | 1923.25 | 1.84 | 58.62 | 1881.48/1 1244.23 |

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Talks with Guinness and GrandMet turn sour

LVMH sought \$1.6bn in drinks merger deal

By David Blackwell

Mr Bernard Arnault, chairman of the French drinks group LVMH, sought a \$1.6bn (£1.6bn) "indemnification" payment from Guinness and Grand Metropolitan, the UK drinks groups planning a £24bn merger, in connection with an alternative proposal he put to them privately two weeks ago.

Yesterday's publication by Guinness and GrandMet of a document containing the suggestion appears to herald a souring of discussions between the two sides over their best future course.

The two UK companies published details of their understanding of the so-called "Northolt" proposal, which was made by Mr Arnault during a meeting at London's Northolt airfield.

They said the proposal envisaged the creation of an unquoted subsidiary of GMG Brands - the company created by the Guinness and GrandMet merger - into which LVMH would inject its cognac interests but not its champagne

business. This proposal differs radically from that being advanced publicly by LVMH, which calls for a merger of the three groups into a quoted company and the demerger of their non-drinks businesses.

LVMH said yesterday that under the Northolt proposal, the £1bn payment would have compensated LVMH for giving up Moët Hennessy's trade joint ventures with Guinness.

GrandMet and Guinness yesterday explained their rejection of LVMH's public proposal for a three-way merger, claiming it would result in at least £1.5bn in additional taxes as well as providing an unfair share of benefits for LVMH shareholders.

Using last year's figures as a base, under the Arnault plan LVMH shareholders' share of total profits would be £163m higher than under the GMG proposal, the two groups said.

Analysts suggested that would equate to a transfer of more than £1bn of shareholder value from GMG to LVMH.

LVMH said it was not surprised by the reply to its plans

- but strongly disagreed with the conclusions drawn by Guinness and GrandMet.

It added that it was "prepared to explore with Guinness and GrandMet structures to optimise tax, which have been successfully used in demergers in the past to avoid substantial tax problems".

Mr Arnault returns to the City next week to continue a round of visits to institutional investors in search of support.

Yesterday Mr Tony Green, Guinness chairman, also said his group had looked last year at the benefits of demerging the brewing business. He said Mr Arnault - who quit the Guinness board on Monday - had examined the details independently and had said there was no value in a demerger.

Mr John McGrath, chief executive of GrandMet, said US tax rulings on the sale of foreign-owned companies would affect both Burger King, the fast-food chain, and the Pillsbury food group.

Movers and shakers, Page 6; See Lex

Chinese error on zinc price prompts fears for copper

By James Harding in Shanghai and Kenneth Gooding in London

Fears were growing yesterday that turmoil in the zinc market caused by a misreading by Chinese smelters could spread to copper trading.

Early this year the smelters sold 250,000 tonnes of zinc short - that is, metal they did not own in the expectation that the price would fall and they could meet their sales obligations by buying at the lower level. But the price rose by nearly \$600 a tonne and the smelters face losses of up to \$100m.

Merchants and investment institutions that spotted the miscalculation are making the smelters pay dearly for zinc, a

metal used mainly to protect iron and steel from corrosion.

London Metal Exchange zinc prices have hit their highest levels for seven years. In the past week zinc for delivery on the LME in three months has jumped \$100 a tonne to \$1,624. It has risen \$204 a tonne, or 14 per cent, so far this month.

China's state metal organisation, CNMC, said it was doing all it could to help the smelters, including borrowing 40,000 tonnes of zinc from the State Reserve Bureau, the government stockpile. It also threatened to export record tonnages of zinc to drive down the price.

Some traders suggested that China might also sell some copper to help the smelters pay for their zinc losses.

Mr Robin Bhar, analyst at

Brandels (Brokers), part of Pechiney of France, said there was no reason why the smelters should not be able to deliver the zinc, given time. The Zhuzhou smelter, said to be 90,000 tonnes short, produced 21,000 tonnes of zinc a month, for example.

"It is vital that China is seen to fulfil its obligations in the zinc market over the next three months or so," said Mr Bhar. "So the government will do whatever it can to shore up these smelters."

This is not the first time that China has been wrong-footed in the metals markets. Citic, the state-owned conglomerate, lost \$40m on copper trading in 1994.

Commodities, Page 8

Flat sales stall Puma assault on US sports market

By Graham Bowley in Frankfurt

Puma, the German sportswear company, revealed lower-than-expected sales and profits yesterday as its fresh assault on the US sports shoe and clothing market stalled.

The company is trying to rebuild its US market share after losing out in the late 1980s and early 1990s to aggressive marketing by rivals such as Nike and Reebok. But it said US sales were flat in the first six months of 1997.

Puma, based in the small north Bavarian town of Herzogenaurach which is also home to Adidas, said sales rose 6.1 per cent in the first six months to DM275.7m (\$153m), and net profits increased 6.1 per cent to DM41.3m. The company said it now expected full year sales growth to be below 10 per cent this year.

Puma's shares responded by falling immediately after the announcement, although they recovered later to close up DM1.1 at DM51.65.

"Puma needs to make thousands into the US market but this now looks a lot further off than it thought," said Mr Jörg Schiller at NatWest Markets in London.

Although Puma is one of the world's leading sports names, with a high brand awareness among consumers, it has less than 1 per cent of the US market. Analysts said the company hoped to lift this to around 4 per cent.

Puma lost out in the late 1980s as the other manufacturers were quicker to market their sports goods as lifestyle products.

Puma said orders for sports shoes rose 13.2 per cent in the first half. Clothing orders rose 32.4 per cent and accessories increased 58 per cent.

However deliveries were hampered by the start-up of a new logistical centre in Germany. As a result, European sales of DM185.1m were at the same level as last year.

THE LEX COLUMN

Melting Mark

The once mighty D-Mark is looking distinctly unwell, and its Bundesbank masters are none too happy. The OT said enough was enough back in February when the D-Mark was at DM1.65 against the dollar. Mr Tietmeyer repeated the view when it was DM1.75. Now it is approaching DM1.65, with little sign of slowing. But what can be done? Domestic economic conditions do not justify higher rates, which would bolster the D-Mark growth is modest, inflation below 2 per cent and money supply growth within the target range.

Moreover, higher German interest rates would prove seriously disruptive to Germany's neighbours trying to qualify for European monetary union. But creeping D-Mark weakness is hardly a palatable option. The German public will take it as confirmation that the euro will be a weaker version of the traditionally strong D-Mark, arguably aggravating flight from the German currency. This can only make them more prickly about unification.

Alas, no early respite is at hand for the Bundesbank. Until cyclical conditions - economic growth and interest rates - turn in the D-Mark's favour, intervening to bolster it would serve little purpose. It has little option but to grit its teeth. If there is one consolation, it is that currency weakness has not split over into inflation. And with the bond yield close to historic lows at 5.55 per cent, markets are clearly not too worried about future inflation either.

 Eurotrack 200 index
 2729.1 (-1.8)


Mr Jospin's more utopian pronouncements, in the belief that he will not be able to act on them. On fiscal and monetary policy he appears boxed in by the commitment to qualify for monetary union. On other issues, such as the stalled privatisation programme, the more pragmatic finance minister, Mr Dominique Strauss-Kahn, is expected to prevail.

But Mr Jospin's determination to make the corporate sector bear its share of France's pain should not be underestimated. If last week's tax increases are followed by a higher minimum wage, a shorter working week and other Socialist manifesto promises, French business will suffer. That would force the stock market to reassess its optimism.

Mr Arnault's second ploy - buying GrandMet shares - may look more astute because only 25 per cent of GrandMet's votes are needed to block the deal. However, the deal's structure could probably be amended so that a 50 per cent vote was required to stop it - a threshold Mr Arnault could not reach on his own. Doing this would not be cost-free: not only would GMG end up paying higher stamp duty but there could be other disadvantages. That said, if Mr Arnault tries to hold other shareholders to ransom, the costs would be worth incurring. A mutually agreeable solution should still be achievable. But it would be unwise to bet against Mr Arnault pulling out some more surprises to strengthen his position.

ITV
 Is Britain's ITV network about to become a regulated utility? Look at this week's document from the Independent Television Commission on how the amounts ITV companies will have to pay to renew their franchises will be calculated and it may seem so. The ITC's plan is to calculate what the next 10 years' franchise will be worth to the incumbents and then set a schedule of payments that reduces the net present value to zero.

This approach is objectionable in theory. After all, the big ITV groups - Granada, Carlton Communications and United News & Media - have invested huge sums to develop their business. Is this investment simply to be written off? A fairer approach would be to estimate the (much lower) value of the franchises to new operators and use that to set payments.

Apart from theoretical objections, the ITC's methodology is flawed. For example, it plans to use a pre-tax cost of capital in its discounted cash-flow calculations. The standard practice is to use after-tax rates. Not surprisingly, the ITC seems at a loss to explain how it would actually use a pre-tax rate.

With such an amateurish paper, the ITC can hardly have strengthened its case for not being swallowed by Ofcom, the telecoms regulator. But the companies and investors are taking comfort in the ITC's hints that the actual sums of money the network pays will be lower than at present. This is hard to reconcile with the ITC's paper, but maybe the paper is not meant to be taken terribly seriously anyway.

France

The Boeing/McDonnell Douglas merger was cleared for take-off on Wednesday. But France is still refusing to hasten its seat belt. Both Mr Lionel Jospin, the Socialist prime minister, and Mr Edith Cresson, one of his predecessors and now a European Commissioner, are railing against the EU for not blocking the deal. This reaction is typical of the French political class at the moment: they are concerned that Airbus and their defence industry are in no fit state to compete with an enlarged Boeing. But rather than helping these companies restructure, they are trying to protect them through political horse-trading.

Of course, nobody actually expects Mr Jospin to get his way - and that appears to be France's saving grace. So far, businessmen and investors have cheerfully ignored

Guinness/GrandMet

The first round in the fight for the hearts and pockets of Guinness/Grand Metropolitan (GMG) shareholders must go to GMG's management. An alternative deal from LVMH's flamboyant Mr Bernard Arnault, a bizarre cross between white knight and corporate pirate, has made him look greedy. But LVMH's purchase of 12 per cent of GrandMet and legal threats have bought him a bargaining position. So could he force other shareholders into a deal?

His first ploy - claiming that Guinness is effectively being taken over - could theoretically give him the right to buy assets from Guinness at a knock-down price. But arbitration on this hotly-disputed matter would not be decided until long after the GMG merger was completed. So it would not actually block the deal.

| Companies | | | | Markets | | | | | |
|-------------------|----|-----------------|----------|---------------|----|----|------------------------|-----------|-----------|
| Latest | | | | Latest | | | | | |
| Alfa-Romeo | 8 | Flat | 8 | McDon Douglas | 2 | 24 | FTSE 100 | 4,861.5 | (-11.4) |
| | | | | | | | Yield | 3.28 | |
| American Airlines | 2 | GTM-Entrepose | 2 | Nike | 24 | 24 | FTSE Europe 100 | 2,782.74 | (-10.60) |
| | | | | | | | FTSE All-Share | 2,272.06 | (-0.29) |
| Antares3 | 2 | Granada | 24 | Noranda | 8 | 8 | Nikkei | 20,288.34 | (+0.31) |
| | | | | | | | New York Industrials | 5,124.12 | (-7.28) |
| BZW | 1 | GrandMet | 8 and 24 | Oneinbank | 2 | 24 | Dow Jones Ind Ave | 9,414.05 | (+0.77) |
| | | | | | | | S&P Composite | 941.05 | (+0.77) |
| Boeing | 2 | Grupo Prisa | 2 | Pochiney | 24 | 24 | US LUNCHTIME RATES | | |
| | | | | | | | 3-mo Treas Bill | 5.1% | (Same) |
| | | | | | | | Life long gilt cut | 6.9115% | (+0.1152) |
| British Airways | 2 | Guinness | 6 | PolyGram | 7 | 7 | US LUNCHTIME RATES | | |
| | | | | | | | Federal Funds | 5.1% | |
| | | | | | | | 3-m Treas Bill: Yld | 6.20% | |
| Carlton | 24 | JCI | 8 | Puma | 24 | 24 | Long Bond | 10.5% | |
| | | | | | | | Yield | 6.48% | |
| Columbia/HCA | 8 | Johnson Matthey | 8 | Reebok | 24 | 24 | NORTH SEA OIL (Angels) | | |
| | | | | | | | Brent Crude | \$18.22 | (18.7) |
| DMG | 2 | LVMH | 6 | Rhône-Poulenc | 8 | 8 | West Coast | \$18.22 | (18.7) |
| | | | | | | | New York Comex | \$326.1 | (22.2) |
| | | | | | | | London | \$325.7 | (22.2) |
| | | | | | | | NORTH SEA OIL (Angels) | | |
| | | | | | | | Brent Crude | \$18.22 | (18.7) |
| | | | | | | | West Coast | \$18.22 | (18.7) |
| | | | | | | | New York Comex | \$326.1 | (22.2) |
| | | | | | | | London | \$325.7 | (22.2) |

FT WEATHER GUIDE

Europe today

Most of the Mediterranean will have another sunny and very hot day with the usual afternoon sea-breezes along the coast. But there will be a partial build-up of cloud over Greece with the possibility of showers or thunderstorms in the afternoon. France will start cloudy with a little drizzle or light rain in central and northern areas, but it should brighten up with some good spells of warm sunshine.

The Low Countries, western Germany and Alpine areas will have sunny periods and just a few showers, but eastern Europe and Scandinavia will be unsettled again with scattered heavy showers and thundery downpours.

Five-day forecast

The Mediterranean will be very warm and sunny, but there will be isolated thunderstorms over Greece and Turkey. Southern Scandinavia will be unsettled with thundery downpours. Central and eastern Europe will be showery on Sunday, but should become settled next week.

TODAY'S TEMPERATURES

| | | | | | | | | | |
|---------|-----------|-----------|-----------|-----------|--------------|-----------|--------|------------|-----------|
| Maximum | Berlin 19 | Sun 34 | Casaca 34 | Fair 33 | Faro 30 | Madrid 36 | Sun 36 | Rangoon 29 | Shower 29 |
| Minimum | Berlin 18 | Sun 19 | Casaca 20 | Cloudy 20 | Frankfurt 24 | Melina 25 | Sun 25 | Rangoon 14 | Fair 14 |
| | Sun 41 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 28 | Berlin 22 | Casaca 22 | Sun 22 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 21 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |

Situation at midday. Temperatures maximum for day. Forecasts by PA Weather Centre

| | | | | | | | | | |
|---------|-----------|-----------|-----------|-----------|--------------|-----------|--------|------------|-----------|
| Maximum | Berlin 19 | Sun 34 | Casaca 34 | Fair 33 | Faro 30 | Madrid 36 | Sun 36 | Rangoon 29 | Shower 29 |
| Minimum | Berlin 18 | Sun 19 | Casaca 20 | Cloudy 20 | Frankfurt 24 | Melina 25 | Sun 25 | Rangoon 14 | Fair 14 |
| | Sun 41 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 28 | Berlin 22 | Casaca 22 | Sun 22 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 21 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |
| | Sun 34 | Berlin 21 | Casaca 21 | Sun 21 | Geneva 25 | Melina 25 | Sun 25 | Rangoon 23 | Fair 23 |

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|-----------|--------|----------|
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| 6500 CALL | 1.8000 | (1.8750) |
| 7150 CALL | 1.8000 | (1.8750) |
| 5850 PUT | 1.8000 | (1.8750) |
| 6500 PUT | 1.8000 | (1.8750) |
| 7150 PUT | 1.8000 | (1.8750) |

BZW Financial Warrant

NAME: _____

ADDRESS: _____

POSTCODE: _____

TELEPHONE: _____

BZW Bank Warrant

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Chilean bargains

'One of the surprises is that so much excellent-value wine is still being shipped from Valparaíso to Britain'



Runaway's progress

'I get letters from older women who tell me that they did in their teens what I did. And they've never told anyone'



Art Deco versus vice

'What has been preserved at Miami's South Beach is a square mile with 800 Art Deco buildings big and small'

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Page XVI

Still trying to make good

German companies are facing up to their Nazi past, writes Andrew Fisher, some more willingly than others

When Alfred Sack visited the Nazi concentration camp at Katowitz in Poland in 1942, he was impressed. "Thanks to constant military supervision, impeccable order and cleanliness prevail," the Allianz insurance inspector reported back to his office. After assessing Auschwitz, a representative of the company noted that "fire extinguishers will be acquired" and that the environment was not "risk-aggravating". The camp's works buildings, carpentry supplies and other stock were insured, and the SS paid the premiums by postal cheque.

Amid the horrors of Nazi dictatorship, Germany's insurers were as meticulous as ever. Allianz inspectors reported such details as the number of cooking pots and circular saws, as well as the extent of military and SS presence in the camps.

On learning of a new forced labour camp in Poland, Bayerische Versicherungsbank - an Allianz subsidiary which had Adolf Hitler among its personal customers - wrote to the SS-controlled company asking for details such as the "water content of the fire-extinguishing pond". Sometimes, as at the Dachau camp in southern Germany, the SS even got a discount because of the size of its business.

Such banalities, contrasting chillingly with the realities of Nazi persecution, have come back to haunt companies such as Allianz, Germany's biggest insurer. "There are plenty of files which show we insured companies that had manufacturing facilities and repair operations in and near concentration camps," said Herbert Hausmeyer, a director of Allianz. "The fact is that we got awfully close to the concentration camps."

The role played by banks and insurance companies under the Hitler regime is coming under renewed scrutiny. While the wartime activities of the big manufacturing companies, such as Krupp, Daimler-Benz, Volkswagen and IG Farben, have been heavily documented, it has taken longer to unravel the participation of the financial sector.

Although they were inexorably drawn into the Nazi web, financial companies did not stand out, and bankers - not all of whom were committed Nazis - mostly preferred to co-operate discreetly. But Nazi ideology made banks subservient to the needs of the country, and they did the government's bidding.

German companies are responding awkwardly to demands to account for their role in the Nazi era. There is a general admission that many have not done enough to face up to the consequences of events in the 1930s and 1940s. But they are also under intense outside pressure, especially from the US, where German and European insurance companies are facing a \$70m class action suit brought by Holocaust survivors and their relatives.

This action follows a \$20m suit against Swiss banks accusing them of having failed to pay sums due to Holocaust survivors and victims' families. The unprecedented



publication this week by the Swiss Bankers Association of a list of 1,500 names of pre-1945 holders of Swiss bank accounts has further highlighted the extent to which these events are finding an echo in the present. As the campaign against Swiss banks has intensified, so have German businesses, particularly financial companies, come under increasing pressure to own up to the past. On a recent visit to New York, Henning Schulze-Noelle, Allianz chairman, described how assiduously his company was trying to

There is an admission that many have not done enough to face up to the consequences

uncover the part it played. Earlier this year, he told employees: "We still have much work to do in researching our company's activities at the time of Adolf Hitler's regime."

He explained that the Nazis kept records of the assets of Jewish and other people it persecuted, requiring that their insurance files be marked and all payments made directly to the German finance ministry. "Thus the seizure of assets enriched Hitler's regime and that regime only."

Hausmeyer, who is responsible for co-ordinating research into the insurance companies' activities under the Nazis and was with Schulze-Noelle in New York, believes the company has to be completely frank about its role at the time. "Allianz, as the leading German insurer then and now, has a problem that will not go away. We can't undo what has been done, but we can put it into the open. Hiding such things can lead to criticism later."

The Munich-based company denies the lawsuit's charge that it enriched itself at the expense of Nazi victims. It also points out that the company lost nearly all its assets at the end of the war, with the government taking over responsibility for Nazi war crime reparations in 1949.

But to ensure all claims are investigated, Allianz has set up telephone hotlines in Israel, the US and Germany. So far, it has had calls on more than 900 cases. These yielded evidence of only 14 policies with Allianz. Eight had been settled by the German government after the war; the other six are being investigated.

Before the lawsuit landed, the company had just begun a project to produce an independent account of its business during the Weimar Republic, the Third Reich and its aftermath. A historian at the University of California, Gerald Feldman, and his team, including Allianz researchers, will reach into the company's files, as well as voluminous federal archives which Der Spiegel

magazine drew on recently for a grimly comprehensive report on how meticulously concentration camp facilities were insured.

No German company has found it easy to confront the past. Some have relied on outsiders to do the digging. Deutsche Bank, Germany's highest bank, produced a weighty history to mark its 125th anniversary two years ago, commissioning independent historians to research and write the book. Harold James, writing on the 1933-45 period, said that by participating in the workings of the Nazi state, "bankers, too, played their part in Germany's moral catastrophe".

Feldman also co-ordinated the Deutsche project, himself covering the years 1914-33. Hilmar Kopper, chairman until May and now head of the bank's supervisory board, believes the book stimulated the debate. "We wanted to show what happened in this difficult time, not to gloss over it or give ourselves a halo."

Although the moral choices seem clear in retrospect, the fanatically relentless way in which the Nazis extended their control over the economy meant that industrialists had to shed most of their scruples if they were to continue in business. In a book to be published in January, Neil Gregor writes that from the mid-1930s, "there was growing unease within business circles at Hitler's adventurist foreign policy".

From 1936, "industry was forced to react in a defensive fashion to assert its interests within an overall set of

developments that it regarded with ambivalent unease". Gregor's conclusion is a shocking one that can be applied to almost any company of the time: Daimler-Benz's managers collaborated in Nazi barbarism to the extent they did because of the "desperate pursuit" of commercial self-interest.

"Under certain circumstances, pragmatism encouraged barbarism," he says. "As an examination of the collusion of managers in the racial policy of the regime suggests, the process of creeping barbarisation in the

month, Degussa, the metals company, admitted it had melted down gold and silver taken from Jewish citizens in Germany and occupied countries. It is also working with Cologne university on a study of its activities in the 1930s and 1940s.

Others have taken longer or, as in the case of Commerzbank, say their files were destroyed in the war. Dresdner Bank, the country's second biggest bank, has just asked Dresden University's Hannah Arendt institute to carry out research into its history before, during and after the Nazi period.

Until now, Dresdner has shied away from any external investigation of its activities under the Nazis, with whom it had closer links than Deutsche. After being forced to merge with the bankrupt Danat-Bank in 1932, Dresdner, which was already in financial difficulties, ended up in state control. This made the bank - half of whose directors were Jewish until the early 1930s - especially susceptible to Nazi pressures. In a booklet to mark its 125th anniversary this year, Dresdner made little reference to 1933-45, noting only that "the state obtained growing influence over the banking business".

Yet behind this bland statement lies the sinister truth about business and the Nazis. Some companies initially and mistakenly thought they could remain apart from the worst excesses, while co-operating with the regime and continu-

ing their day-to-day business. By the time Hitler came to power in 1933, banks had already lost much of their strength and status. They had been scarred by the

depression, as had many of their customers, and anyway, the Nazis regarded bankers as parasites. Hitler reasserted the Nazi party's demand for a "breaking of the interest [rate] slavery" of banks, which meant that capital should serve the economy and the economy should serve the people.

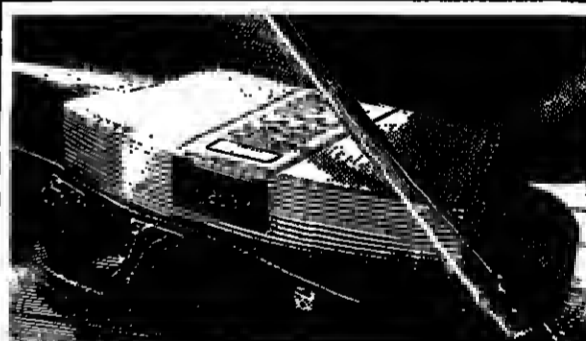
In addition, many Germans - not just fanatical Nazis - regarded banks as being tainted by their "Jewish" character. The insurance companies, which were not money-lending institutions, did not have to bear quite such a weight of official and public opprobrium.

Looking back on this dark and evil side of Germany's history, businessmen and bankers are horrified at what happened during their parents' and grandparents' lifetimes.

Yet it is not the sensibilities of present-day managers that are at stake, but the whole issue of how the companies they work for accommodated themselves to totalitarianism and how they deal with this now. At the time, there were no half-measures and few opportunities for heroism. Businessmen may have complained and even agonised about the Nazi system, but having been absorbed into it and accepted their fate, they were mostly in no position to put up active opposition.

"The Nazi war machine meant that a lot of economic life was taken into the control of the SS and other Nazi institutions," said Hausmeyer. By providing insurance to concentration camps, where people were incarcerated and murdered, Allianz and other insurers were doing what was regarded as part of their "normal" business. "This was the atrocity of the situation." Half a century later, the past continues to fester.

Daimler-Benz in the Third Reich, by Neil Gregor, to be published in January 1998, by Yale University Press, £25.



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This week's contents and columnists

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Joe Rogaly

The Boardroom party

'There is one bet I would stake the farm on. Business will rule. Politics will matter hardly at all'

Page III

Craig Raine

In search of the big idea

'How many ideas do survive, in fact? Very few. Marxism looked plausible for a while'

Page V

PERSPECTIVES

Minding Your Own Business

Treading steadily along the paths of history

Grania Langdon-Down tells how Andante turned an archaeologist into a travel operator

The career path was all mapped out: a degree in prehistory, then a doctorate in Roman provincial archaeology and on to a good job. Dr Annabel Lawson was making a name for herself in her chosen field. She joined the Norfolk Museums Service in the late 1970s as assistant keeper of prehistoric and Romano-British Antiquities. When she left to start a family, she retained her contacts, friends, credibility and status. But suddenly it was back to square one. Lawson, 44, recalls: "In 1983, we left and moved to Salisbury in Wiltshire because my husband Andrew had been appointed director of trust for Wessex Archaeology. "It was a seminal moment for me. I had a new baby and a toddler and had moved away from a place where I was known for my work. "When I arrived in Salisbury, I was Andy's wife and Katherine and Joanna's mother. It seemed as though I had been robbed of my professional identity."



Andante's Annabel Lawson: "Our development has been in steps... paying for that step before moving on to the next"

Ashley Adwood

Armed with her qualifications, experience and a passion for the past, Lawson set about rebuilding - arranging tours to some of the world's most fascinating archaeological sites. From her three years working as the assistant keeper at the national research museum in Mainz in the mid-1970s, she knew that archaeological study tours were popular in Germany. Her first project was to plan a tour for Germans around Wessex, home to Stonehenge, Avebury and West Kennet Long Barrow. In 1985, she set up a company in the dining room of her Wiltshire home and called it Anglophile. She drew up a pamphlet - *A Journey Through the Past* - and sent it to "friends of museums" groups across Germany. "I was so naive. I just assumed lots of people would send money to a private address of an unknown woman in England. Only 12 replied. But my husband

said 'don't miss this opportunity'. He taught me to drive a mini-bus, a friend made wonderful picnic every day and off we went for that first week-long tour in 1986. The next year the same 12 re-booked for a tour of Durham, York and Hadrian's Wall and encouraged friends to go on the Wessex tour. The third year, the faithful 12 turned up for a tour of Cornwall and more came to see Wessex. In 1989, Lawson decided to change tack and offer tours to sites abroad for English clients. Since Anglophile was no longer appropriate, she renamed the company Andante - "at walking pace" - to reflect the contemplative nature of the tours. The number of tours grew

and by 1991, she was feeling vulnerable working alone and took on a friend, Chantal Stokely, to provide part-time help and support. At that time, they only paid themselves if there was any money left at the end of the year. Stokely continues to work part-time but is now paid on an hourly basis, while Lawson has only recently felt able to pay herself a more regular salary. Two years later, legal changes concerning tour operators meant Andante could no longer book flights. They had to be booked through a travel agent with an Airtel (Air Tour Operator's Licence). Clients had to sign two different cheques for two different contracts. "We realised this was unnecessary complicated for clients and that we must bite the bullet if we wanted to continue," Lawson explains. So in 1994, they applied for their licence. This meant placing a bond of 15 per cent of projected turnover with the Civil Aviation Authority and having a substantial proportion of unencumbered capital in the company. "We would not have expected 15 per cent profit so it was an enormous commitment. I am grateful that Lloyds Bank backed us as it was a statement of faith at that time. VAT also hit us for the first time that year," she recalls. In January 1995, Lawson took on her first full-time employee, Moura MacDonagh, as administrator to help

with their programme of 26 tours. Later that year, Andante was accepted as a member of Aito, the Association of Independent Tour Operators. The following year, Stokely's daughter Emily, who had previously worked for another specialist tour operator, joined the company to help with administration and tour management. Andante was now taking over too much space at home. So in September 1996, they all moved to a two-roomed former telephone exchange tucked away along a tiny track in the nearby village of Winterbourne Dauntsey. From there, they worked on their most ambitious programme so far for 1997, with

tours ranging from about 595 for an unguided break in Florence to more than £1,900 to see the Bushman rock art of South Africa. This year, Andante is taking about 600 people from England on 31 different tours - Roman Spain, Ancient Jordan and many others - led by academics and leading authorities. Lawson led the early tours herself but as the range grew she called on experienced friends, former colleagues and contacts to be guides. She also trained two translators living in Italy and Spain to act as freelance tour managers. A review of bookings in January found 71 per cent were from people who had travelled with Andante

before. The growth of the company can be seen from its turnover - up from about £240,000 in the early years to £134,400 in 1994, £332,630 in 1995 to £436,787 last year. Overheads, minus tour costs, in 1996 amounted to £28,000, including salaries, office rental, brochures, advertising and postage.

Andante sells directly to the public, which means advertising has to be carefully targeted, mostly in archaeology magazines. The brochures are expensive to produce and the company tries to avoid sending them to people who are unlikely to book a tour.

Profits were minimal last year after taking on the extra member of staff and moving to the new offices. The target turnover for this year is about £722,000. "That is the figure we set for our bond but we tend to overestimate to be on the safe side," says Lawson. "It is important to remember that we have a relatively high turnover because the holidays are expensive - scheduled flights, good restaurants and hotels, top guides - but this does not always mean high profitability."

"Our development has been in a series of steps - we increase the number of tours and so increase our income but then we need more staff and equipment so things level off while we pay for that step before moving on to the next one."

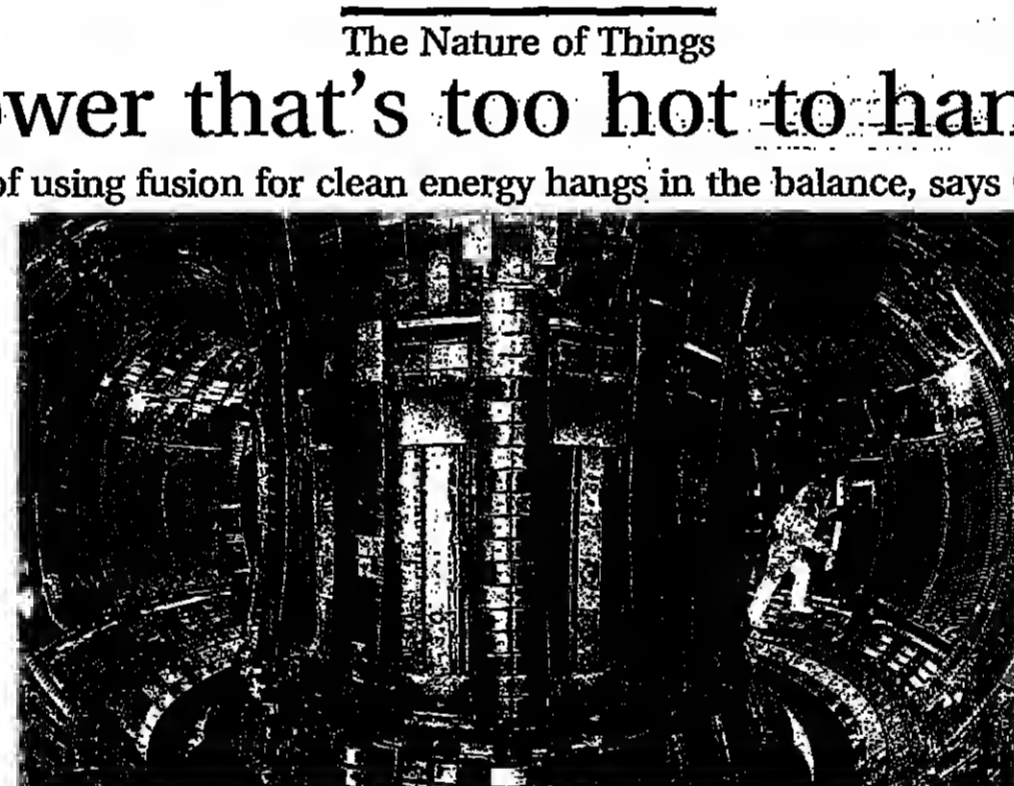
Looking back, Lawson says: "Andante has been the absolute fulfilment of my expectations, growing along with the children and allowing me to retain my professional identity and be a mother."

"I am aware that I could not have started in this cautious and gentle way had I not had a husband supporting me and the family. But now that the children are very much in charge of their own lives, Andante can really take off."

Andante Travels, The Old Telephone Exchange, Winterbourne Dauntsey, Salisbury, Wiltshire SP4 6EH. Tel: 01980-610555; fax: 01980-610002.

Look out for some exciting newspaper headlines at the beginning of September about science taming the power of the sun. Scientists expect then to generate the world's biggest burst of power from controlled nuclear fusion, inside a doughnut-shaped research reactor in Oxfordshire. If all goes well, the Joint European Torus (JET) will produce 10 megawatts of power for several seconds, by fusing together two forms of hydrogen (deuterium and tritium) in a superheated plasma at 200m°C. The dream of using fusion - the energy source of the sun and stars - to provide clean and plentiful power on earth dates back to the early 1950s. Indeed, the research pioneers then were convinced that the world would be running on fusion-generated electricity by now. The potential advantages of fusion include: plentiful fuels (deuterium extracted from water, and tritium made from the lightest metal lithium); inherent safety because the reaction stops as soon as anything goes wrong; no atmospheric pollution; and only small amounts of radioactive waste. The world has spent several billion pounds on fusion research over the past 40 years. But, as the cycles point out, fusion is one of those elusive technologies whose widespread application always seems to lie several decades in the future. Today's enthusiasts concede that technical, political and financial realities will not permit commercial fusion power stations to operate before the middle of the next century. They hope the next step will be to build what would be the world's largest scientific experiment, the £10bn (26bn) International Thermonuclear Experimental Reactor. Scientists and engineers from western Europe, the US, Japan and Russia are due to finish the six-year design phase in 1999, but it seems extremely unlikely, with budgets for long-term energy research declining fast all round the world, that any decision on when and where to build ITER will actually be taken then. Nuclear fusion powers not only the sun but also, as an uncontrolled chain reaction, the hydrogen bomb. It is the opposite of the fusion reaction - splitting heavy atoms - that powers today's nuclear plants. In fusion, light atoms are forced together, releasing heat and radiation. The formidable technical challenge is to create conditions in which the fusion reaction can be

sustained and useful energy extracted. Most scientists are convinced that ultra-high temperatures and correspondingly vast amounts of money will be required to achieve fusion on earth - few believe in the benchmark approach of "cold fusion". The favourite approach since the 1950s has been to confine the fuel - superheated to become an electrically charged gas or "plasma" - with a magnetic field inside a doughnut-shaped vessel called a tokamak. But some fusion specialists warn that it will be physically impossible to overcome the prob-



Energy in a doughnut: an engineer inspects JET's reaction chamber, in preparation for the planned fusion experiment

lems in a tokamak. For example, a team from the University of Texas and Princeton University has calculated that there might be too much turbulence in the fast-flowing loop of plasma at 1m°C to allow the proposed ITER to achieve fusion. There are other approaches. One is so-called inertial confinement - a recently declassified offshoot of H-bomb development - in which an extremely powerful laser or ion beam compresses a tiny pellet of deuterium and tritium so rapidly that a controlled nuclear explosion occurs. A fusion reactor based on inertial confinement might ignite a series of pellets, at a rate of around one a second, in a stream of liquid metal coolant. But no one has done any serious engineering work on the proposal. So most fusion enthusiasts remain faithful to magnetic confinement in a tokamak. They hope that JET will put on such a good show in September, when it is scheduled to run for the first time on the optimum fusion fuel (a 50:50 mixture of deuterium and tritium), that the publicity will give a new political

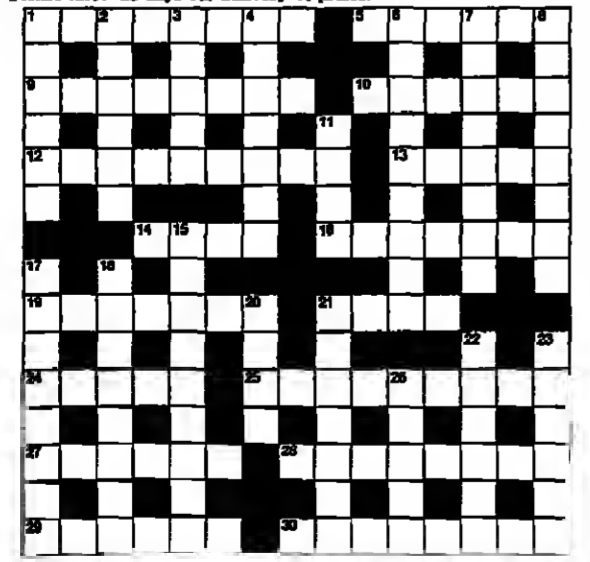
momentum to ITER planning. In 1991, JET generated 1.7MW of fusion power for two seconds on a "weak" fuel mixture with 11 per cent tritium. Since then, the reactor has been "upgraded" significantly and JET staff are predicting confidently an output of 100MW - enough to supply a small town. That would break the previous record output of 5.5MW from the equivalent US machine, the Tokamak Fusion Test Reactor in Princeton, in 1993. With luck, JET will "break even" - give out enough energy to balance the power fed in to heat up the plasma. But it will not achieve "ignition", a self-sustaining fusion reaction without external heating. That will be a job for the larger ITER, which is designed to generate 1,500MW (as much as today's largest nuclear power stations) for up to 30 minutes at a time. Given the best possible political and technical circumstances, it is hard to imagine ITER up and running before 2008. And, even if ITER works wonderfully, at least one more stage, a demonstration power plant, will have to be operated successfully before electric companies could think of ordering commercial fusion reactors. Fusion represents a mega-scale approach to energy research that is now out of fashion. But the investment required is less than one-thousandth of the world's energy spending - and it might look prudent in 50 years' time.

The Nature of Things Power that's too hot to handle

The dream of using fusion for clean energy hangs in the balance, says Clive Cookson

CROSSWORD

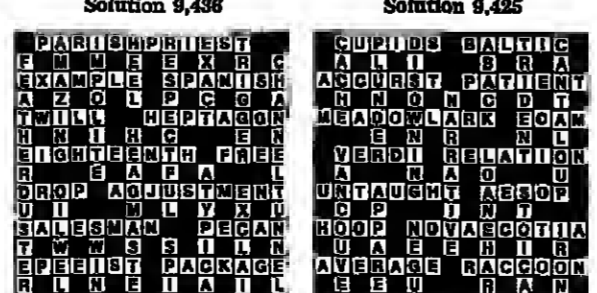
No. 9,437 Set by CINEPHILE
A prize of a classic Pelikan Souverän 800 fountain pen for the first correct solution opened and four runner-up prizes of Pelikan M200 fountain pens. Solutions by Wednesday August 6, marked Crossword 9,437 on the envelope, to the Financial Times, Number One South Bank Bridge, London SE1 8NL. Solution on Saturday August 9. Please allow 28 days for delivery of prizes.



Name: _____
Address: _____

WINNERS 9,437: P.P. Clark, Sawbridgeworth, Herts; P. Lawes, London W5; J. Mitchell, Kilmacolm; P. Roberts, Mold, Flintshire; J. Sherwood, Oxford.

- ACROSS
1 Battle in which hostile arrow initially hurled... (8)
2 ... (here it is again) a king of yore who had just won... (6)
3 10... wild birds got named (8)
4 Creative work, including information, in a country (9)
5 See 4
6 11 Game of backing and inversion of the vote (8)
7 A number are not shifting, or not just yet (5)
8 Supreme example of girl first entering county council (7)
9 14 Time in jail to measure plant (4-4)
10 Winner to bite a bit? (5)
11 Language of sounds - stick around (9)
12 Prophet breaking jail - he's upset about it (8)
13 28, 30 Brandy, first among spirits - dilute at one's convenience: what happened in 1815? (3,3,3,3)
DOWN
1 Soldier to fish river (8)
2 A horse (say) in a cast, like a dog in story (6)
3 Not seriously observed in certain functions (2,3)
4 13 Singer entitled to write "German isn't English" on transport (7,4)
5 Communication from trail with tree (3,5)
6 Love would worry the devil (3,5)
7 Room for sauce? (8)
8 11, 20 Regulator at dance - prepare to shoot (8)
9 Listen! 'E's off: a guy makes gullies (8)
10 I yell audibly for food (3,5)
11 28st a suburban look is for a devil-worshipper (6)
12 21 across Male aviator turned brick into fish (4,4)
13 Fruit, including date, in a handkerchief (7)
14 Breakfast food in instalments, by the sound of it (6)
15 No fat to shed? (4,2)
16 One ounce of sea air? (5)
Solution 9,435



BRIDGE

Opponents should, by definition, be dangerous. In our game, though, one usually poses a tangible threat, while the other is little more than a benign spectator. The secret, of course, is to distinguish between the two.

N
9 4 3
J 9
A J 8 6 4
A 3 2

W
A Q 5
8 6 2
9 2
K Q 9 8 8

E
J 10 8 7 2
5 3
Q 7 5
J 10 4

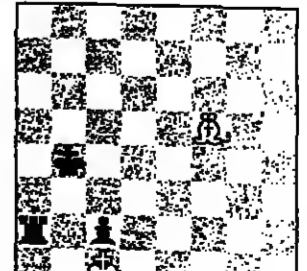
S
K 6
A K Q 10 7 4
K 10 3
7 5

North East South West
2D 3C 4H
2C 3C 4H

Both West and East competed aggressively, but South did well to rebid 4H, which showed his high-quality suit, and suggested a diamond fit with partner. West led K♠. South diagnosed that hearts and diamonds would furnish sufficient tricks, and that East represented the main danger, being able to lead through his frail spade holding. With a club and a possible diamond loser, it was essential that two

spades were not lost. So, declarer won the first trick in dummy, drew two rounds of trumps finishing back in dummy with J♥, and then led a small diamond. When East followed small, he finessed with 10♦ which held the trick. Despite West's 2-level overall, this was the correct play as, had West won the trick, he could not have cashed two tricks in spades. The declarer now pulled the remaining trump, cashed diamonds - discarding both his spades - and made 12 tricks. Despite South's success, he had missed a vital play at trick 1. When he won in dummy with A♠, East should drop J♠ to indicate that he holds 10♦; this cannot be the start of a *doubleton* pique - East had supported his partner's overall. Had West been able to win the diamond finesse he could then have led a small club to East's 10♣, who would have switched to J♠ to pick up two spade tricks to set the contract. The solution is simple. Realising that West poses no threat, declarer should duck the opening lead, leaving him on play. Now, South's well considered line of play is certain to succeed.

There can be problems in being a very strong Russian grandmaster with a surname beginning with K, as Vladimir Kramnik is finding out. The 22-year-old Muscovite has been the most successful player in this year's GM invitational and is No 2 to Kasparov in the world rankings. But sponsors and organisers are bored with K v K matches, so Kramnik has the awkward choice of competing in the new 100-player knock-out world championship, where he risks elimination by an early blunder, or of declining his invitation and hoping for an unlikely shot at Kasparov. Still, Kramnik is growing in mystique. This month at Dortmund, he won first prize unbeaten, but with the aid of a farcical finish (Kramnik v Ivanchuk). 1 Nf3 Nf5 2 e4 c5 3 Ne3 d5 4 d4 c6 5 e3 Nbd7 6 Qe2 b6 7 Bb3 Bb7 8 0-0 Be7 9 b3 Bc8 10 Bb2 c5. Casting is safer, as the pawn push leads to sharp complications; but Black saw a chance to win a piece. 11 cxd5 cxd4 12 dxc6 dxc3 13 exd7+ Nxd7 14 Bxc3 Bb4 15 Bc4 Bxf3 16 gxf3 Bxc3 17 Qxc3 Qg5+ 18 Kh1 b5 19 Qa5! This was all Russian analysis. Suddenly realising



No 1191
From Doroshkevich v Taimanov, Soviet Union teams 1971. Black's last move was c3-c2, offering his last pawn. Was this (a) a clever winning move or (b) just bluff?
Solution Back Page

Paul Mendelson

Leonard Barden

PERSPECTIVES



Joe Rogaly

Invitation to a victory party for business

As we approach the millennium, true power is to be found in the boardrooms not parliament

Our fortunes are made. You and I can save the world's computers from the confusion that threatens to wreck them when the first two digits of the year change from 19 to 20. This is known as the millennium time-bomb. We can defuse it. Just forget 19 and 20. The correct name for the year that begins after midnight on December 31, 1999 is "1 BC" - the first year of the Business Century. Its opening day should be labelled 01.01.01.

I am only half-kidding. Predictions about what will happen 888 days from now are not worth much, but there is one bet I would cheerfully stake the farm on. Business will rule. Politics will matter less, eventually hardly at all. The story of the last 200 years has been one of a

struggle between capital and labour. Capital won. It is gradually becoming the most powerful influence on our lives, above that of governments.

You cannot address any aspect of most of the world's politics, let alone guess what comes next, unless you start with this historic victory. Come to think of it, we should proclaim the Business Century at once. Future historians might dispute the precise moment of its birth. They could argue that 1 BC began with the fall of the Berlin Wall on November 9 1989, or the subsequent collapse of the Soviet Union. These are quibbles. Ask the Chinese. We are in BC now.

One small example of this is the propensity of Britain's new Labour government to invite heads of companies to help them. At least four distinguished gen-

erations and governments have the corporate sector eating out of its hand. The explanation is simple. In France, it still pays to be seen to suspect business and embrace welfare. In Britain, it does not.

France's turn will come. It may resist or slow the incoming tide, but it cannot stop it forever. Deregulation may leave the consumer or the workforce helpless, but it is part of a growing global consensus. So is the notion of "flexible labour markets", for which read "crunching the workforce beneath the heel". So are balanced budgets. Taxpayers are increasingly unwilling to fund state benefits.

In Anglo-America, the Democrats and Labour, formerly of the centre-left, have bowed to these "right-wing" strategies and won famous victories by so doing. The balance of power between

corporations and governments has shifted, permanently and irreversibly, in favour of the private sector.

This overshadows everything else. Take constitutional reform. I have spent a lifetime advocating decentralisation of power in Britain. Now that we are to get a semblance of it, why does my pulse fail to quicken? Because true power is to be found in boardrooms rather than parliaments or cabinet chambers.

This week Mr Blair promised referendums for an assembly in Wales and a legislature in Scotland. Great. The Welsh can call their new glorified development agency to account. The Scots can vote for a distinctive set of laws, which they already have, and delude themselves that, with a touch of the Jospins, they can

resist the rule of the market as they did when Margaret Thatcher tried to impose it upon them. Like a newly emergent African state in the 1960s, they will be politically self-governing, but economically dependent.

This is not to say that the matter of who runs the government at any particular time is irrelevant, or that government itself cannot make a difference. Many of the policies announced by New Labour were found when they rummaged through their predecessors' desks after ejecting them from office in May. But the implementation differs, altering dozens of small decisions and some large ones. The cumulative effect is to give the impression that a new start has been made, that Britain is better governed than it was in the last years of the Conservatives.

The transformation is stunning, but its import may be less powerful than was a change from Conservative to Labour in the days when the latter were still trading the socialist card. Today Mr Blair is joggling steadily, another few miles each morning, towards a new political settlement in Britain.

This will entrench capitalism, reduce welfare, balance the budget. The prime minister has invited the pro-business Liberal Democrats to join a Cabinet subcommittee on further constitutional reforms. If the link can be maintained some form of New Labour government, with Lib-Dem support when necessary, can be sustained for the next 10, 15 or 20 years. We may have Mr Blair in Downing Street until, say, 15 or 20 BC.

Email - joe.rogaly@ft.com

Dressed casually, it is her face that draws attention: seeming fragile and flawless, like carefully crafted Kaolin, but then becoming strong and flexible as we launch into conversation.

My lunch guest is Evelyn Lau, writer, poet and former prostitute. I admit to her that I had been in a state of some trepidation: what if she thought my invitation and interest in her work merely a cover for salacious curiosity? Also, I am a fussy eater but had left the choice of restaurant to her: would I be able to eat anything?

Fortunately, my worries were soon cast aside. She had chosen the smart but reasonably priced Rain City Grill near Stanley Park in Vancouver. Appropriately, it was raining heavily.

At the age of 26 and with writing credits that include three collections of poetry, a volume of short stories and a novel, Lau still lives in Vancouver where she spent her childhood. I was glad of an excuse to visit one of my favourite cities.

As we studied the single-page lunch menu, which informed us that the chef was Chris Johnson, I told her that on a previous trip to the city I had bought *Runaway*, her moving account of her traumatic childhood. As a result, I had become so hooked that I then read all her books, including the two published by Minerva in the UK: *Other Women* and *Revolution*. She seemed genuinely surprised - and pleased - to hear this, and, as her face lit up, she said, in a soft Canadian accent: "Wow!"

Runaway: Diary of a Street Kid was published in 1989 when she was 18. The book was an instant success and stayed on the Canadian best sellers lists for months and was later turned into a "television movie". *Runaway* detailed her experiences with sex, drugs and problems with adults. Her words burrow into the soul of a sensitive reader.

I asked if she still got reactions to the book. "I get some weird letters occasionally," she said, "but not as often as I get letters from other women who tell me that they've done in their teens what I did and they've never told anyone: not their husbands, not their children - so those letters are quite worrying."

For several years after the publication of *Runaway*, she felt she was considered "more of a sensation than an emerging young writer. I had a desperate need to prove my serious intent and now I'm regarded as a fairly established writer it's kind of frightening. Before, I



Evelyn Lau: 'I had a desperate need to prove my serious intent and now I'm regarded as a fairly established writer it's kind of frightening'

Alan Waples/Hayward

Lunch with the FT

The runaway's progress

Evelyn Lau was into drugs and prostitution, says Kevin Goldstein-Jackson. Writing had to be a bonus

I felt I was banging my head against a brick wall and trying to convince people I had some talent. Now, people are overly convinced and seem to expect masterpieces, and so, as a result, I'm a bit more paralysed, whereas I didn't used to be."

We decided to skip the starters on the menu, which included tuna tartare (salmon gravlax, apple snow pea, jicama slaw, horseradish vinaigrette). I like plain food and the staff were happy for me to substitute the salmon escalope (warm pickled onion, navy bean sauce) for a plain grilled salmon.

Lau, who had been to the restaurant before, chose the ginger soya marinated prawn stir-fry (bok choy, sul

boy, gai lan, red onion, ginger, garlic, sesame, tomato oil, basmati rice).

While I sipped fresh orange juice and she drank water, we talked about our unhappy childhoods and became so caught up in conversation that we were oblivious of other diners. She had resolved to be a writer at the age of six. Reading was her favourite activity, allowing her to escape into a "fantasy world". As a child, she thought that by writing she could create work into which others could "disappear for a while".

Lau was born in Vancouver. Her parents were Chinese immigrants, over-protective and strict. "They disapproved of my writing.

They wanted me to become a lawyer or doctor."

No matter how well she did in school examinations, her mother never seemed satisfied and would test her every afternoon and force her to study every evening and at weekends. She was not allowed out of the house except to attend school and take piano lessons. "I felt unloved, so I ran away from home." She was then 14.

Soon she was caught up in the world of prostitution and drugs - but all the time she continued her writing, keeping a journal of her activities and feelings and winning prizes for her poetry.

The waitress brings our food and urges us to "enjoy".

As she tucks into her stir-fry, Lau says: "What is probably most detrimental to my work right now is probably - and this sounds weird talking to people - the sort of narrowness of my life. Some people think I've got all this wild material to write about and some writers actually envy that, because of my background. I should have a store of material. But, in fact, I've used it all up."

"I don't want to write about prostitution any more, I don't want to write about teenagers - but because that was my life for a period of time, and then after that I was a writer, I haven't had any other play."

I mention that, apart from

Runaway, being Chinese seems not to have had a great influence on her published work unlike, say, Amy Tan or Jung Chang. She agrees and says she has no wish to write about Chinese life. "I don't think of myself as being Chinese until I look into a mirror. I'd always wanted to be a blonde."

Despite winning critical acclaim, and with her work translated into other languages, including Japanese, financial rewards have not been great. She lives in a one-bedroom apartment and has "a big mortgage".

Sometimes, she is glad of a distraction from her writing. "It's amazing how you can stretch your errands to fill

the day - I can go to the dry cleaners, visit the post office, get some groceries. My little apartment has an enclosed balcony and that's where I have my job, and the weather in there is always different from the weather in the rest of the apartment. In the winter, it's freezing cold and, in the summer, it's boiling hot, so that's another reason not to go in there. It's too cold or it's too hot."

But if she finds herself excited about her writing, "I just stop doing anything else. When my novel was going well, I spent all summer - sometimes 18 hours a day - just writing."

She still writes the first drafts of her poetry in long-hand. "It seems more con-

duce with poetry. I curl up on the couch. But with prose I'm more comfortable with a typewriter. I think a lot of it has to do with how fast your thoughts are with how fast you write or type. With poetry there are a lot more halting thoughts and somehow it's more textual. But when I'm writing fiction I find I can't keep up with my thoughts.

"The sound of things is very important to me so when I finish writing I will also read it aloud to myself and then I catch all kinds of things - like I stumble over something or find something is jarring. Do you do that?"

Throughout the lunch, while she has answered all my questions, she has asked just as many of me. Having finished our food without even a glance out of the window against which we are positioned, we ask the waitress for details of the sweet courses. Although she cannot eat dairy produce, Lau encourages me to eat ice cream. She has fruit.

As we continue our conversation a woman with short, spiky, purple hair - like a thistle - comes to our table. The woman is 40 and had been at a neighbouring table. She confesses she had been fascinated by our conversation and felt compelled to ask for the titles of Lau's books and details of where to buy them. She leaves the restaurant saying she is "thrilled" to have met a "live author".

Over coffee, Lau admits that once, when her writing was "not going very well for a few days", she wondered what she was going to do. She thought about getting a job - but who she looked at the job advertisements "almost the first thing they say is you have to have a degree or something."

"I suddenly realised, having been a high school dropout, that while it had not been a problem with my writing career, if I had to find a job - an actual job - I would have a major problem."

The waitress brings the bill. Only C\$38 (\$17.50) including tax, and Lau asks: "Can I help you with that?" I politely declined.

I offered to order Lau a taxi, as it was still raining. Instead, she seemed happy to walk out on to the rain-fallen street and I began to muse on what images and words were entering her mind.

She had been an ideal lunch companion - but I wondered if I had appeared to her like the reporter in *Runaway* who had picked through Lau's words "like an old Chinese woman would pick through the hair of her child, searching for lice, pinching them away".

Truth of the Matter

Written on the faces of the dead

Christian Tyler considers how science has increased our sensitivity towards our forebears

Nothing brought the dead so vividly to life as an exhibition of mummy portraits which ended last Sunday at the British Museum.

It was not just the sophistication of the painting that was so striking - though some of these pictures might have come straight from the High Renaissance - but the humanity and individuality of the faces once attached to 2,000-year-old mummified corpses.

The refined features of the "woman in a blue tunic" could have belonged to the actress Claire Bloom. "Hermione Grammatike" (appropriately housed at Girton College, Cambridge) was a Leonardo with a schoolmistressy air. Round-faced Cleopatra peeped from her shroud like a schoolgirl waiting for a good-night kiss. The military officer was roguish, the "woman in brown" plump and motherly, and the beauty with the gold ball earrings had the sensual mouth of a Mediterranean film star.

Most of the 60,000 people who

went to the exhibition would not have thought twice about going to see a few bodies in a museum. But having gazed on these images of aristocratic Greek-Egyptians living under Roman rule, I would be surprised if they did not have their whole perception of the past altered.

In spite of the archaeological context, therefore, it was almost shocking to find among the exhibits the skull of a teenage girl the leathery skin was missing from around her nose and mouth, but the auburn hair pinned in coils on her scalp was so real it looked artificial. Her bejewelled ears, which had become detached, were exhibited alongside.

Museums have become hyper-

sensitive about the display of human remains, even of artefacts containing human hair or bones. The context has to be right. Otherwise, only bona fide scholars are allowed to see them.

Archaeologists are becoming increasingly alarmed by this. One reason for their alarm is Kennewick Man. This 9,000-year-old skeleton, discovered in Washington State last July, has become a cause célèbre in the US. The body has been impounded in a vault, denied to researchers because a group of Red Indian tribes have claimed it as one of their own, citing a federal law called the Native American Graves Protection and Repatriation Act.

The twist in the tale is that the few scientists who have had a

chance to view the skeleton believe it is more European than American-Indian: hence their interest in getting Kennewick Man released by the courts.

The Natural History Museum in London no longer displays human remains, following similar complaints by Australian Aboriginals. Some tattooed Maori heads in the British Museum collection have escaped censure, but only because Maori elders were invited in to give them their requiem by blessing them.

The 5,000-year-old "Ice Man" discovered on an Alpine pass between Italy and Austria lies today under close guard in Innsbruck; but whether he is ever put on show may depend more on his fragility than on

the sensitivity of the public.

For unlike the ancient Egyptians, the Aborigines, the Maoris and others, modern Europeans are not too fussy about the relics of their ancestors. Certainly, their funeral rites are becoming less and less elaborate. Cremation is usual, burial a luxury. An Egyptian-style funeral for one of today's elite European consumers would make the tomb of Tutankhamen look like a pauper's grave: the vault would have to accommodate a set of gardening tools, a built-in wardrobe, a dishwasher, double oven, television and top-of-the-range BMW saloon.

Christianity taught us to regard the body as a mere husk from which the soul has flown to Paradise; and although the resur-

rection of the body lurks somewhere in the doctrinal catalogue, no one takes it too literally any more. In a village cemetery in France, for example, you will find no ancient headstones with faded inscriptions charmingly obscured by moss. Every so often the authorities come round and post notices over unintended graves. If no member of the family responds, the bones are removed to make space for someone else.

And yet we respect the shells of our dead. Artists of the so-called avant-garde rely on this respect to shock us by using human bits and pieces in their work: some have even been prosecuted for doing so. In an age which has learned to regard organ transplants, genetic engi-

neering and *in vitro* fertilisation as everyday events, we still cling to our old scruples. Abortion is legal, but we are shocked when the dead foetus is crudely discarded.

Medical research no longer depends on a Burke-and-Hare traffic in bodies lifted from the cemetery by moonlight. Religion no longer depends on the veneration of saints' relics. And Egyptologists no longer need to unwrap the mummy: they can find out a great deal with Cat scanners and computer simulation. At the same time, there is a boom in demand for research on human remains, because we have a new tool, the decryption of human DNA, one of the great scientific discoveries of the century.

So here is a paradox, but no dilemma. The more science learns about its human forebears the greater becomes its sensitivity towards them. We do not believe what those mummified Greek-Egyptians believed. But we are no better than they were: and their faces tell us so, plainly.

BOOKS

The restless quest for the big idea

W.H. Auden's intellectual promiscuity reached surpassing silliness. Craig Raine, who prefers the common sense Auden, argues that we need ideas – but not in our art

As a convinced 1930s Socialist, W.H. Auden had a vested interest in believing that environment was a more powerful influence than heredity. "but, in the transition from parent to child, the whole pack of inherited genetic characters is shuffled." He also believed that blank verse eliminated the possibility of individual characterisation because everyone sounded the same. Lear? Othello? Iago? He believed that man needs mental escape the way he needs sleep.

All these are recurrent ideas. Others are almost improvisations – like his concurrence with Gide that friends are people with whom you do something disreputable. Which is merely a dramatisation of a banality: our friends are those we trust. Auden has buffed and brightened, back-lit and emboldened this commonplace till it sparkles attractively and seems more profound than it is. Typical. He also believed that asthma was the child's attempt to resist the demands of life.

He was, then, a writer for whom ideas had allure, glamour, seductiveness. He was easily infatuated. *Prose 1926-1938*, impeccably edited by Edward Mendelson, is a detailed record of his intellectual peccadilloes. He fell for ideas again and again – like, the besotted Professor Urath in von Sternberg's film *The Blue Angel*. Even as Auden protested to Louis MacNeice that he was "too fed up with prose generalizations to do an article" or complained that Herbert Read failed to persuade him that Shelley had ever "looked or listened to anything, except ideas", he was indulging his weakness for notions. He took them to heart. He headed them in the back of his mind.

Henry James, however, was a famous intellectual celibate, as T.S. Eliot remarked in the *Little Review* (January 1918): "he had a mind so fine that no idea could violate it." Eliot invoked G.K. Chesterton in contrast to James: "Mr Chesterton's brain swarms with ideas. I see no evidence that it thinks." Eliot further expressed his reservations about ideas in *After Strange Gods*, where he proposed a traditional culture in opposition to the cult of Romantic individualism, where idiosyncrasy replaced authority. He preferred to make it true rather than make it new. Novelty was risk.

But Eliot's ideas, however hallowed by time, have evanesced like the established religion they were tied to. They are no longer part of a living tradition. They are items in the history of ideas. They were conservative ideas and now they are passé. The same is true of Freud, though

generations of intellectuals – including Auden – were taken in by the charm and elegance of his theorems. They survive not as science but as curios in the history of thought.

How many ideas do survive, in fact? Very few. Marxian looked plausible for a while. Saussure's equation of thought

W.H. AUDEN: PROSE 1926-1938 (Essays and Reviews and Travel Books in Prose and Verse) edited by Edward Mendelson Faber £40, 836 pages

and language – their inseparability, their interdependence, their simultaneity – was neatly dispatched in Steven Pinker's *The Language Instinct*. Pinker offered a blunt but unanswerable refutation of Saussure: everyone knows what it is to write down something then cross it out because language, what you wrote, doesn't express what you really thought. Super-string theory in physics is notably silent. Black holes are undergoing a re-think. This is a doctor in *Lady Chatterley's Lover*: "the nerves of the heart a bit queer already... You're spending your vitality without making any." I wonder which of our finest medical formulae will sound comparably quaint in 80 years' time.

Auden had a determination to dabble, a sense that the only ideas are bright ideas, whose shine and newness substitute for the tried, the tested and the dully true. Though he never achieved the high plateau of dotiness mapped out by Yeats, he had plenty of ideas: ideas: thieves differed from other criminals because their crime was "an attempt to recover the lost or stolen treasure, love". Primitive peoples, apparently, "have very little idea of death, only a very strong sense of the life of the tribe which of course never dies." This idea of surpassing silliness is accounted for by Auden's exaggerated respect for anthropology: "one of the main differences between the Victorians and ourselves is that we have one more science, the science of anthropology." Two, actually. There is also psychology, which seeds several of Auden's more manic extrapolations. "Early mental stimulation can interfere with physical development." "Everything we do, everything we think or feel modifies our bodies: one can lend credence to hysteria and to the reality of psychosomatic symptoms without accepting that absurd 'everything'." "The sense of guilt under which every human being

suffers was not, of course, lessened by the fading of hell. It was only transferred to medicine. The hospital and the asylum became the punishment for moral offences, particularly the sexual." This is clever, close to the exercise of wit, fun even, and famous. Compare his assertion that athletics are a substitute for religion in schools. Or his claim that rhyme began with the marching songs of Roman soldiers. Or his consistent return to the idea of artist as neurotic: "Pope knew what it was to be flattered and libelled, to be ambitious, to be snubbed, to have enemies, to be short, and ugly, and ill, and unhappy, and out of his knowledge he made his poetry." Eventually, not only artists, but all intellectuals fall into this damaged category.

I prefer the common sense Auden with no time for this twaddle: poets "are people with a particular interest and skill in handling words in a particular way which is extremely difficult to describe and extremely easy to recognise." No ideas but in the thing. This is awkward but accurate. Compare this: "curiosity is the only human passion that can be indulged in for twenty-four hours a day without satiety." This is forceful, pithy, elegant and utterly mistaken. Curiosity isn't a passion. Think how often the adjective "curious" is coupled with "mildly". Even were it a passion, the claim would apply only to chronic insomniacs. It is no accident that Auden edited *The Faber Book of Aphorisms* in 1964. He was a lifelong addict of the genre's features – exaggeration, authority and brevity verging on arrogance, aphorisms: be-sure, "are essentially an aristocratic genre of writing." Aphorism has a take-it-or-leave-it air which defies you to spoil its laconic effect by a display of redundancy. Meredith's *Modern Love* points out the human ache which is soothed by aphorism: "Ah, what a dusty answer gets the soul / When but for certainties in this our life!" The aphorist and the pedagogue are professionally certain – and Auden was both.

Life is complicated. Ideas are simpler. That is their appeal. We like to make up an attentive audience, to listen to those who, if they are neither wise or knowledgeable, are at least in the know. Auden broadcast for the BBC in favour of gossip ("remember, never hesitate to invent") and many of his ideas have the air of gossip. We may be humble before anyone with a full set of shining answers, yet we are also suspicious of ideas and their volatility. Auden knew this. "Joyous are firm and there's a nothing new." Eliot have hardened just a point or two. Hopkins are brisk, thanks to some recent boosts. There's been some further weakening in Frost's. Warily, we know that certainty is a desirable but temporary state. And so we tend to look for the latest thing – as least likely in the short-term to be superseded. This explains a lot of Auden's thinking.

He insisted that the artist should also be a journalist. This is partly because, in his ideas, Auden over-valued the latest thing, where fashion fades in the avant-garde. Partly, though, he is showing us his salvation as a writer. "The first, second and third thing in cinema, as in any art, is subject." Subject matter saved him because the emphasis was not on the new but on facts.

In his poetry, aporistic complacency, "assured of certain certainties" (in Eliot's phrase) is repudiated. What remains is the aphoristic technique of point-blankness, of counter-banal assertiveness, of context-free élan. Never apologise, never explain, could have been invented for Auden's most characteristic enigmatic, assertive poetry: "remember the doomed man thrown by his horse and



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crying / Beautiful is the hillside. I will not go, / the old woman confessing / that I loved the best, to him I was worst." In the prose, the best writing is the least given to pronouncement and pontification. "Sat in a cafe in the market square listening to Hitler shouting from Hamburg. Sounded like a Latin lesson." From China, there is a definition of war which is far removed from Auden's habitual tic of definition and categorisation. It isn't analysis. It is example on example. "War is bombing an already used arsenal, missing it and killing a few old women. War is lying in a stable with a gangre-

nous leg. War is drinking hot water in a barn and worrying about one's wife..." That "hot water" is worth a thousand ideas. Ideas, though, are inevitable. They are indispensable. They are what, imperfectly, we live by. But they come infected with entropy. Human progress is like the rook in chess – for every step forward, there are two steps sideways, often into absurdity. And sometimes three steps backwards into barbarism. We need ideas, but not in our art. Just think what an old lie the idea of freedom is, and how useful it is, and how we treasure it.

Of the interminable torrent of buzz-words that surges through James Wallace's *Overdrive*, an account of the campaign by software multi-billionaire Bill Gates and his company Microsoft to conquer the internet, one striking example attacks in the mind: "bandwidth." Under normal circumstances, this banal term refers to the ability of an electronic connection to carry information. But in Microsoftpeak, a curious and infuriating strain of technojargon widely spoken in the Gates Empire, it describes the staggering mental ability of those in the upper echelons of the computer industry.

Many of the individuals who grace the pages of this book, we are told, possess super high-bandwidth intelligence. And, naturally enough, Bill himself is blessed with the highest bandwidth imaginable, boasting enough mental brawn to reroute the bulk of humanity's information reserves – the libraries, the archives, the software industry sales figures – through what is now the richest single nervous system on the planet.

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Nerdocracy rules in a geek world

John O'Mahony on a book short of a few bandwidths

Wallace picks up where he left off in his last book on Gates, *Hard Drive* – just as an investigation gets underway by the US Anti-Trust Committee (the American version of the Monopolies Commission) into Microsoft's questionable commercial tactics, which included hiding "secret" commands in its operating system to hamper other software companies. In a subsequent court battle, Wallace proudly tells us that the judge continually cited *Hard Drive* before making a detrimental ruling. Having established himself as a thorn in the huge Microsoft flank, the author then goes on to give robust accounts of Gates's betrothal to one of his employees, dubbed "a marriage made at Microsoft", the delayed launch of Windows 95 and, finally, Microsoft's attempt to police the lanes of the information superhighway.

Along the way, Wallace offers some vaguely salacious revelations about his revered and leathard protagonist. Lank, greasy hair and

crumpled trousers notwithstanding, Gates was renowned for hitting on female techno-journalists and, as a student, frequented Boston's notorious "Combat Zone".

OVERDRIVE: BILL GATES AND THE RACE TO CONTROL CYBERSPACE by James Wallace John Wiley & Sons £16.99, 307 pages

His legendary competitive streak also allegedly spurred him to create a room at the Microsoft compound dedicated to his arch-rival and head of Borland International, Philippe Kahn. – a kind of shrine to capitalist hatred adorned with photos of Kahn, Gates's own personal anti-christ.

Overdrive is weighed down by humdrum deal-striking and dull, unedifying interviews. Most of the interviewees, whose brains supposedly handle as much daily traffic as Heathrow airport, can offer nothing more than American corporate jargonism. And Gates, despite his prodigious bandwidth, comes across as a cantankerous monomaniac whose best ideas were filched from other companies, who dismissed the importance of the internet until it was almost too late and who chose – this really says it all – to get married on a golf course.

But the most chronic deficiency of bandwidth seems to lie with the author himself. Surprisingly, Wallace devotes proportionately very little of his book to the cyberspace race, leaving us with few insights into the duel between Microsoft and Netscape. And the style of the book is far closer to computer manual than literary biography, particularly when the author tries to wax lyrical or plump for pity. "It was no longer fun, Bill Gates had won", reads one. Essentially, this is a book about a geek, for a geek readership, written by a geek. It is also a book that goes a long way towards proving what many have long since feared, that the world we live on is fast becoming a "nerdocracy" and that there is more than a little universal truth in the pervasive Microsoft motto: "We set the standard."

The stately road to ruin

But great houses continue to fascinate, writes Antony Thorncroft

The British aristocracy may be on its way to the political limbo, but it still retains its fascination, not least to publishers. Here are two books, with a neat serendipity, which add greatly to our knowledge of what is now a rather arcane subject. In *The Fall and Rise of the English Stately Home*, British historian Peter Mandler traces the love-hate relationship between the general public and the grand estates. Country-house visiting has always been a national sport, much favoured by Queen Elizabeth I – who notched up 63 visits, to the great discomfort of her hosts. In the 18th century, servants boosted their wages by showing middle-class tourists around the empty mansions, their masters being happily engaged in London.

By the 19th century, an old English custom had become a business, with both aristocrats and the public enjoying the myth of Merrie England, symbolised by the old worldie mansion – 18th century houses were beyond the pale. When Warwick Castle burned down in 1871 the Earl received £9,000 from a sympathetic public to pay for the re-building. These days not even the Queen of England would dare to launch such an appeal.

THE FALL AND RISE OF THE STATELY HOME

by Peter Mandler Yale University Press £19.95, 323 pages

THE FATE OF THE ENGLISH COUNTRY HOUSE

by David Littlejohn Oxford University Press £20, 144 pages

Then suddenly it all turned sour. The aristocracy was under political attack: the public became disaffected. By the end of the second world war, with the houses ravaged by their temporary residents (American soldiers did most damage, girls' schools the least) and their owners crippled by death duties, the future seemed bleak. Suddenly the National Trust and the heritage industry came riding to the rescue.

In *The Fate of the English Country House*, American academic David Littlejohn ventures behind the battlements to talk to a good array of country house owners from the Duke of Marlborough, who has clinically detached Blenheim from his wayward heir, the Marquess of Blandford, to a near neighbour, Charles Cottrell-

Dormer, who is fighting to keep his 17th century home in the family, despite a stable block with a £2m repair bill.

It is reckoned to cost over £30,000 a year just to keep a country house up to scratch. Like Mandler, Littlejohn is not optimistic about their future, and he thoughtfully includes a practical guide of possible solutions to embattled owners. These range from turning any remaining land into a golf course (fraught with difficulties), to welcoming in the television commercial makers (worth up to £3,000 a day in ready money), to selling off the family treasures (a popular but ultimately suicidal route), plus many more.

Surprisingly, opening the doors to the public is anathema to most of the 2,000 owners of major country

houses. Only 250 are prepared to let the gawpers in, and then mainly on sufferance: they do it to obtain a grant from English Heritage, and to ensure that family artworks are given immunity from inheritance tax.

Both these books are critically constructive. The main problem is that every owner of a country house faces a different future: some, like the Dukes of Devonshire and Westminster, have no financial problems; others, the majority, are clinging on by their fingertips. But noblesse oblige, even if the government will not. And if the struggle proves too much and the house must be sold, or converted into a hotel, or a corporate HQ, apartments or a theme park, the future holds little more terrifying than a retirement home in Florida.

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ARTS

Throw out the music and sing

Musical expressiveness has nothing to do with the notes on the page, argues Andrew Clark

True or false? A report came through from Italy this week that Luciano Pavarotti could not read music. The non-musical world gasped in amazement. The fat man was a fake.

Whether or not you believe it - and Pavarotti has denied it - the story posed an important but frequently overlooked question: to make great music, do you have to be able to read it? The obvious assumption is yes, you do. A musically illiterate musician is a contradiction. To know what the composer wanted, you must be able to follow the notes. Anything less means you're a dilettante.

But hang on a minute. Some of the most natural musicians the world has ever known could not read music. They were gypsies. They not only played but they created tunes more skillfully than anyone else - because they weren't tied to notes on a page. By their sheer vitality and expressiveness, gypsies infin-

ited western classical tradition far more than any other ethnic group.

And what about Ezio Pinza, arguably the greatest Italian bass of all time? He took up singing as a career only after someone overheard him in the bath and told him he had a terrific voice. As his recordings testify, Pinza became an ideal interpreter, singing with a grandeur and conviction few could emulate. He was Toscanini's favourite bass, and Toscanini was a stickler for the notes. It didn't bother Toscanini that Pinza couldn't read them.

Given the quality of music education in most north European countries today, there

would be little chance of a Pinza making headway without formal training. But musically illiterate singers from southern Europe are still quite common. Ruggero Raimondi, the Don Giovanni of our time, is a good example: he studied in Rome and Bologna, but didn't learn to read music. Italian choirs are riddled with people who can't follow a score. It's a bit like footballers in Brazil, absorbing their art on the streets along with their mothers' milk: they're far more natural performers than those who have been taught how to "read" the game.

Operatic professionals have long suspected Pavarotti couldn't read music. They didn't bat an eyelid, because it never stopped him being a great musi-

cian or an exemplary vocal technician. Opera houses are staffed by music coaches whose job it is to help singers learn their roles. If you have innate musicality and dramatic sense, it can be an advantage to have someone teach you the part, because learning it yourself ties you to symbols on a page. Is it a half-note, a crotchet, or what? If you're following a sound-pattern, it doesn't make any difference. You're going more directly to the sound than you would if you were trying to make sense of written symbols.

The obsession with literal fidelity is a product of the 20th century's faith in technology, which allows note-perfect performances to be achieved, copied and disseminated *ad infinitum*. It inflates the importance of the written notes, their academic sources and those who stand guard over them. These people arrogate to themselves the rights of the dead composer, and are far more strict than he ever was about how the music should be interpreted.

The wider public is led to believe that if a definitive version of the music exists, there can only be one way of interpreting it - the way musicologists and aesthetes judge to be most "faithful to the notes". This preoccupation with notes is a modern sickness, battering down the freedom and spontaneity music needs if it is to thrive as a living tradition. It has made musicians afraid to express themselves naturally. It encourages conservatoires to promote a style of playing that suits the recording process, free of blemish, rather than to nurture artists who can use music as a vehicle of expression.

Why should we care if Pavarotti can read music or not? Up to now, everyone was happy enough listening to him singing. Or were they? People who professed admiration for Pavarotti were often unable to appreciate the finer points of his musical eloquence. Most got to know his voice through inferior amplified sound. What really attracted them was his success and the handwagon surrounding it, rather than what he was actually doing. As the family of Gianni Versace has discovered, the flipside of success is envy. It expresses itself in a form of pseudo-morality: we look for a defect which allows us to demote the successful person.



Venus and Mars by Botticelli, a painting of sexual conquest: the mighty god of war has been vanquished by the goddess of love. Mars's sleeping body, defenceless in its nakedness, is dead to the world. Venus, in contrast, is composed, fully-clothed and awake

Poets since antiquity have told us that Sleep is the brother of Death. From the National Gallery in London's current exploration of the theme of sleep within the collection, it would seem that the brothers belonged to a large family. Sloth, Lust and many another vice, and rather fewer virtues, have to be fitted into the genealogy.

The pastoral idylls which open this mini-show suggest the somnolent tranquility and the wholesomeness of the simple, rural life. In Cyp's distant view of his home town Dordrecht, for instance, the sleeping herdsman is taking a well-deserved rest after a long day's work. It is, of course, a different kind of physical exertion that has exhausted Botticelli's Mars who sleeps in a forest glade, a step away.

"Venus and Mars" is a painting about sexual conquest. Perhaps more importantly, it is also an allegory of how peace can be attained through love. In this long, low panel, probably painted for a marriage chest, the mighty god of war has been vanquished by the goddess of love. His body exposed, and defenceless in its nakedness, he is dead to the world. So deep is his sleep that he cannot even hear the blast from the conch shell

For some must watch, while some must sleep

Lust, sloth and death have been associated with sleep, writes Susan Moore. But sated love, angelic dreams and honest slumber also feature in a new exhibition of paintings

blown into his ear by one of the mischievous infant satyrs playing around the lovers. His armour and weapons have become their playthings.

Venus, in contrast, lays composed, fully-clothed and awake, coolly considering her victory. If the imagery reflects the contemporary view that making love exhausted the man while invigorating the woman, it also leaves the spectator in no doubt as to who wields the power in any battle of the sexes.

Male anxiety about female sexuality, and the ultimate male fear of castration, is at the root of a host of Old Testament stories and their frequent

representation in art. In these narratives, the vulnerability of the sleeper observed is exploited for maximum terror. The exhibition cannot offer us a Judith severing the head of the sleeping general Holofernes, or Jael hammering a tent peg into the skull of the sleeping Sisera (the victims are invariably represented dead or dying rather than still asleep), but it does present two spectacular and, in their different ways, immensely telling Delilahs.

Mantegna's misogynistic message, almost literally carved in stone, is self-evident. In this faux marble relief, he has Delilah herself wielding the scissors to cut the strength-giving locks of

the sleeping Samson, when in Judges we are told that she summons a man to do it for her. A Latin inscription on the tree reads: "A Woman when bad is three times worse than the devil". Slumped in sleep, this Samson seems already a weak and diminished figure. Not so Rubens's impressively muscled and full-blooded hero. Here is Rubens at his most sumptuous and Italianate. As Delilah gazes over the Michelangelo-like torso of her lover sprawled across her lap while the business-like barber gets on with his job, it is hard to believe that she is not nursing some regrets.

Sleeping naked women espied by

men, however, were always considered fair game. The naked, sleeping Venus, in particular, proved one of the most enduring inventions of Renaissance secular art. The genre is represented here by Poussin's small and overtly erotic "Sleeping Nymph surprised by Satyrs". There is little doubt about the intentions of the leering satyr uncovering the sleeping nymph or, by extension, the fantasies of the colluding spectator-cum-voyeur. For their delectation, Poussin has his nymph in a pose more appropriate to ecstatic sexual abandon than to a midday doze.

No less available, by implication, are Jan Steen and Gabriel Metsu's fully

clothed drunken women alone in the company of men. Alcoholic stupor, in reality, is far more obliging than sleep.

In religious art too, sleep has tended to be associated with failings of the flesh, as well as man's lack of moral courage. In paintings of the Agony in the Garden, the focus of attention is frequently the slumbering apostles who have failed to keep awake and watch, as bidden, while Christ prayed. The poignantly sweet sleep of the Christ Child in Giovanni Bellini's infinitely tender and affecting "Madonna of the Meadow" still ravishing despite the damage it suffered at the hands of a merciless post-war restorer, cannot but allude to his impending death. His pallor and his pose prefigure images of the Christ who the dead Christ lies in the Virgin's lap.

It was the vehicle of sleep, however, that enabled angels - and devils - to communicate with the human soul through dreams and visions, and we are left with Philippe de Champaigne's image of the golden breath of an angel whispering joyful news into the ear of the sleeping St Joseph.

Themes & Variations: Sleep continues at the National Gallery in London under September 14.

There is good news for lovers of that peculiarly British form of comedy drama exemplified by *Minder*, *Tutti Frutti* and *The Bedderbecker Affair*.

On Monday evenings for the next three weeks we shall have not one but two such series to enjoy. Moreover, astonishingly (someone in television's "Sod The Public" office must have been off sick) they do not clash but run consecutively, beginning at 9.00 and continuing until 10.40, so it will be easy to catch both.

Preston Front on BBC1, which started this week, is actually a seven-part series, written entirely by Tim Firth, who has already given us two series featuring the members of the Territorial Army unit in the town of Roker Bridge in northern England. This, we are assured, will be the last of these series.

Ain't Misbehavin' is a

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crime caper set in the second world war which re-unites Robson Green and Jerome Flynn, two young(ish) actors who first met in the pedestrian ITV series *Soldier Soldier*, and then, unpredictably, had a No 1 hit with their recording of the 1955 torch song "Unchained Melody".

What are the essential characteristics of this sort of series? They are not adaptations, but written specifically for television. Often you can trace a line back to the Ealing comedies of British cinema in the 1940s. It is rare for them to use the sort of aristocratic milieu which we know from English literature, except (as occurs in the final episode of *Ain't Misbehavin'*) to provide a contrast to the bulk of the activity. This tends to occupy a nether world of small-time crooks, charmers and conmen: as in *The Lawender Hill Mob*, as in *Minder*, so in *Ain't Misbehavin'*. Ensemble acting can be of a very high standard.

Though they have some of the attributes of soap opera - carefully contrasted characters, amiability, sentimentality - they are made to a high degree of professionalism, usually with high production values, and are consequently expensive. The British love them and cannot get enough of them.

Preston Front is a known quantity. The first series began, or so it seemed to me at the time, with the Territorial Army serving much the same purpose as a hospital or a fire station in so many of ITV's tedious nine o'clock dramas.

Television/Christopher Dunkley

Characters with a life of their own



The cast of 'Preston Front', a series with something of the quality of 'Pickwick Papers'

with them, and they began to veer away from the straight-and-narrow down which ITV's policemen, vets and detectives are usually

driven, in step and in blinkers. Firth became more and more interested, not in the way that people adhere to

the rules, but in how they depart from them. In the process, the characters started to become more interesting than the stories

and now there is something of the quality of *Pickwick Papers* to *Preston Front*: nobody pretends that the narrative is more than a vehicle for conveying and displaying the characters.

Ain't Misbehavin' opens with a crippled RAF aircraft being landed on a wing and a prayer by Eddie Wallis, an unqualified sergeant (Flynn) and from there until the final scene where boy gets girl, shortly after crooning "A Nightingale Sang in Berkeley Square", the narrative never really lets up.

The main trunk of the plot involves gang rivalry in the wartime black market, and there are all the off-shoots you could desire: a romance between Wallis and a nurse named Dolly (Julia Sawalha) who is engaged to another, a gumshoe detective business run by Wallis's new friend, spiv Eric Trapp (Green); the tribulations of the band, and so on.

as the band leader, Jane Lapotnik as Eric's central European mother, Jim Carter ("Dennis Potter's dad", as he is known in our household, after his memorable performance in *The Singing Detective*) as a gang boss, George Melly as a jazz singer, and more.

There are steam trains and Fair Isle pullovers, wartime limousines and sand over the double yellow lines, but the authenticity is never, quite, pushed up your nose. You could not call it profound, but *Ain't Misbehavin'* is well acted, entertaining, and often funny - not at all the sort of new material we have come to expect in the middle of the summer.

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ARTS

Time travel through ancient Britain

Antony Thorncroft visits two new galleries at the British Museum

Few subjects change more rapidly than history. The past is constantly being re-written, partly on the evidence of new discoveries, partly to make contemporary society feel more comfortable. This is particularly true of early Britain, which is undergoing a thorough re-interpretation. The whole concept of a Celtic Britain, part of a happy family of north European peoples spreading from Poland to Ireland, is under attack, and now the idea that Britannia was some remote, frontier post of the Roman Empire is being challenged.

So the opening of two new galleries at the British Museum, covering the later Bronze Age and Celtic Europe, and Roman Britain could not be more timely. The idea behind the fresh interpretation is that you travel through time, observing from the surviving artifacts how civilisations rise – and fall.

For this is not an optimistic story. The Roman gallery, restored thanks to a £1.7m gift from the Garfield Weston Foundation, ends with some of the great finds of recent years, the treasures unearthed at Hoxne and Mildenhall. The ornate silver salvers, embossed with portraits of the gods; the sophisticated luxuries, such as a silver pepper pot in the shape of an empress; the thousands of gold and silver coins, suggesting an urban market economy, were all to disappear not only into the East Anglian earth but also from the experience of the inhabitants of Britain after the departure of the legions in the early 5th century.

In recent years, some of the most significant discoveries about the Roman Empire have been made in Britain, suggesting that the island was a thriving and developed place, no bleak outpost. These discoveries are at last on display and provide theorists with a field day. For example, a large section of a secular building, perhaps a 4th-century barn, from Meonstoke, was saved in 1989. It has been re-erected in the gallery and bears a striking resemblance to the Romanesque churches that started to rise in Italy a few centuries later. Could Britannia have provided the

inspiration for ecclesiastical architecture?

The island certainly embraced Christianity with enthusiasm, as the amazing silver communion plate from Water Newton, the world's oldest surviving set of communion silver, suggests. The wall paintings of the priests from the Christian villa, or chapel, at Lullingstone shows them with arms uplifted in blessing, a tradition that has survived until this day.

But the gallery also lays bare an alternative society: yet more wonderful silver utensils, but this time engraved with the name Faunus, an Italian god linked to Bacchus. The owners of this rich hoard were obviously pagans who were perhaps forced to bury their valuables when the Christians in their turn imposed a state religion on Britain.

Obviously some of the favourite objects from the former gallery are still on display, such as the elaborate military helmet used in tournaments, and the tombs with inscriptions that show that familial love has always existed. But the gallery has new priorities, not least an interest in literacy.

One of the most staggering recent finds has been a stack of inscribed tablets from Vindolanda, a fort on Hadrian's Wall, which along with lists of stores and snippets of military intelligence, includes letters from home to the soldiers defending the northern limits of the Empire. The homes were as likely to have been in modern France or Germany as Italy. In true EC spirit, the gallery stresses that Roman Britain was a cosmopolitan place.

The Bronze Age and Celtic gallery cannot offer such sophisticated artifacts, and adopts a pan-European approach. Here the documentation is particularly useful. Labels are a nightmare for museum these days – too erudite and your new public walks past; too folksy, and the experts squirm. These new galleries have it about right. The display, inevitably cramped, is also a great improvement on well-worn cases devoted to the army, coins, religion, etc.



Bronze statue of the Roman emperor Nero (AD 54-68) in the guise of Alexander the Great, found in Suffolk.

What badly needs smartening up is the overall look of the British Museum. The new galleries are on the first floor, tucked away on the path to nowhere. But their very remoteness is a relief compared with the scrum in the grand entrance hall to the museum, which, especially on a wet day in the tourist season, perilously recreates the atmosphere of a rail terminus in a run down east European capital. The lights are low, litter proliferates, the gloom is pervasive.

The BM has a £100m lottery-backed appeal under way to transform its appearance and to improve its customer flow. While it awaits refurbishment it might try to emulate the Tate Gallery and the Victoria & Albert Museum, which are also in the throes of massive re-developments but which manage to stay pristine in comparison.

Off the Wall

Saviour of the South Bank

Let us now praise rich man and woman. To qualify for lottery cash, arts companies have to rustle up a quarter of the money needed. The corporate sector has shown little interest; local authorities have done their best, but the real stars are individuals.

In the last week alone, Sir Edwin Manton was confirmed as the great donor to the new Tate Gallery of British Art at Millbank, with a gift worth £12m; Vivien Duffield and Lord Sainsbury have done their bit for Covent Garden, each presumably committing £20m to the £70m already raised towards the £100m appeal; while Sir Paul Hamlyn has proved the saviour of the South Bank, contributing £17m of the £37.5m it needs to raise towards its £151m development.

It is the Hamlyn gift that is most remarkable. He was known for subsidising performances at Covent Garden, but had no contact with the South Bank. His arm was squeezed by Elliott Bernard, chairman of the South Bank Board. In future Bernard will be chairman of the Paul Hamlyn Centre, for the South Bank has agreed to change its name to honour the gift. The main halls, the Festival and the Elizabeth, and the Hayward Gallery, retain their individual identities, but the Purcell Room is also up for grabs to a benefactor.

The Hamlyn money ensures that, along with the bank guarantee on the retail properties in the development, all Nicholas Snowman, chief executive of the Paul Hamlyn Centre, now needs to make the UK's largest arts centre fit for the new millennium is the £113m he is seeking from the Arts and Heritage lottery boards. This money has been constantly delayed as the boards argue about their respective contributions, but Snowman expects to get confirmation in September, and will then push ahead with the rebuilding.

If all goes well most of the Hamlyn Centre will close in April 1999 for two years, although the Festival Hall will only be dark between July 1999 and April 2000. The centre should re-open, protected by its vast glass "wave", the inspiration of architect Richard Rogers, in the spring of 2001.

Already plans are afoot to use the Central Hall Westminster during the closure for concerts by the centre's resident orchestras, the LPO and the Philharmonia, with smaller bands going to St John's, Smith Square. The Hayward will put on touring shows and use the Whitechapel.

But before that, the Festival Hall will shortly go dark for six weeks while the stage is widened

for the Royal Ballet. The money to pay for this comes in part from the first surplus that the South Bank has achieved for over a decade.

This was achieved partly from a boost in audiences, up 2 per cent across the halls to 67 per cent. But the main contribution to the £100,000 surplus was cost savings: the centre's staff has been cut by a fifth, to 260, in the past five years.

Switching the mid-week lottery revenues into health and education will cost the arts at least £50m a year. To general dismay Blackheath Concert Halls and the Bristol Old Vic and the Arncliffe, are not to get the money they desperately need. A fall in lottery cash is one reason given for the Arts Council's decision.

The changes means that Blackheath Concert Halls was set to close its doors last night. At the crisis meeting on Wednesday, the Arts Council suggested that Blackheath should appeal against its rejection. But the next Arts Council meeting is not until September 17 and the delay was too much for another financial backer, the Borough of Lewisham, which has decided to hold back £25,000 of its annual £50,000 grant.

Without £150,000 a year in subsidy Blackheath cannot continue, and one of the most enterprising voluntary achievements in the arts of recent years, restoring the 100-year-old halls to their former glory, will founder.

Nell MacGregor, director of the National Gallery, is disgruntled over the question of VAT and museums. Local authority museums do not pay VAT; museums which charge admission fees are deemed to be in business and can claim back VAT, but museums like the NG, which is committed to free entry, must pay full VAT.

This creates the anomaly that the V&A, which introduced charges last autumn, will gain an extra £3m in 1997-98, while the NG, which only charged a half price for admission fees, the rest will be reclaimed VAT. In contrast the NG faces a VAT bill of £3m.

The perfect solution for MacGregor is the removal of VAT from all museums. Since the government seems to be in no position to restore museum grants to traditional levels – the NG has suffered a 12 per cent cut in three years – this could be an attractive option.

A.T.

The gods have not smiled on Bregenz this summer. Rehearsals for the festival's new outdoor production of *Porgy and Bess* were drenched by torrential rain, and the opening performances were washed out, leaving thousands disappointed. On average Bregenz loses two performances to the elements every summer; this year the total may be much higher.

That is the price Bregenz pays for open-air opera. In Verona and Torre del Lago the sun is guaranteed; Savonlinna and Garsington have canopies. But the floating stage at Bregenz is naked to the heavens. Even if the rain had stopped shortly before the 9pm start, the set would have been too slippery and the water-level too high.

The theory is that 6000 people gather each evening to watch an amplified spectacle against a backdrop of sound down on Lake Constance. However intimate the story-line, Bregenz's floating stage – with its technical wizardry and golden horizon – lends opera an epic dimension. Man and nature blend into one.

As Sportin' Life observes in *Porgy*, however, "it ain't necessarily so". The Austrian corner of Lake Constance is notorious for evening thunderstorms, and this summer it has rained for days. With remarkable precision, the festival recently took out a Scham (£150,000) insurance policy against weather losses. But it cannot insure against the frustra-

How Porgy and Bess came in from the cold

Torrential rain at the Bregenz Festival proved a blessing in disguise for Andrew Clark

tion which lost performances cause artists and audiences. Whenever this happens, Bregenz tries to compensate with a concert version indoors for 1500 top-price ticket-holders. Usually this is a poor substitute – but not with *Porgy and Bess*. As we entered the Festspielhaus, we could see Hans Schaver-nock's rain-soaked set on the floating stage: a giant rump of damaged motorway, the crumbling "street of success" beneath which the inhabitants of Catfish Row would, in dry weather, have been playing out their destiny. Was it Los Angeles after the earthquake? South Africa under the grip of white capitalist oppression? Or just a run-down area of any modern city?

These questions, posed not just by the set but by articles in the festival magazine, belong to the realm of German *Regietheater*, which is not where *Porgy* belongs. It is about individuals, about humanity, about a world where love and life are

fickle, where the human spirit must be strong to survive. The most moving productions are those which stress these elements. Luckily, the disruption to the outdoor rehearsal schedule had given Götz Friedrich time to adapt his staging to the Festspielhaus. What we got was an intimate *Porgy*, free of intellectual conceits and framed within a conventional proscenium, emphasising the closeness of community life. There were few props. The weight of interpretative responsibility fell on the singers and on the audience's imagination.

Outdoors, voices would have been miked, and the orchestral sound would have been piped from an invisible pit. *Porgy*'s arrest would have involved a police-boat, and there would have been an eye-boggling light-show. I was much happier experiencing *Porgy* under "normal" conditions. "A Woman is a Sometime Thing" had a street-party atmosphere; *Porgy*'s fight with Crown was vividly choreographed. Emotions came across with an immediacy which stadium opera can never convey.

The performance ran uninterrupted for just under three hours, and time flew by. It might not have done so if Andrew Litton had not kept the music moving so swiftly. Litton knows just how to pull off Gershwin's jazzy syncopations, and the Vienna Symphony Orchestra

sounded demob-happy. The cast, too, gave their all. Arthur Woodley was a near-ideal *Porgy*, capturing the crippled hero's pride without a hint of artfulness. Marquita Lister's Bess, glamorous in voice and looks, suggested a Harlem Lulu – vulnerable, feckless, amoral. Eric Lee Johnson had just enough swagger for Sportin' Life, and Jeff LaVar the chest-muscles, if not the voice, for Crown.

A good *Porgy* can be judged by the questions it poses. Is *Porgy* an opera, a song-and-dance work or a music-theatre genre of its own? Is it true-to-life or a black stereotype? Is an all-black cast still a legitimate pre-condition for performance? With luck, audiences at Bregenz this summer will find their own answers.

The popular outdoor production is always complemented by a rarity indoors. This year's choice was Anton Rubinstein's *The Demon*, a favourite of Russian pianists but long absent from the repertoire. Based on Lermontov's dramatic poem about a fallen angel who seeks redemption through love of a woman, it was premiered in St Petersburg in 1875, and six years later became the first Russian opera to reach the UK. It is easy to see why its popularity declined. Rubinstein was too prodigiously gifted for

his own good: as well as being one of the greatest instrumentalists of all time, he wrote 19 operas, and *The Demon* testifies to his facility. The magic-folk elements of Russian opera were treated with greater depth by Rimsky, the personal psychology with greater sincerity by Tchaikovsky.

To succeed, *The Demon* demands the most powerful interpreters: Leliferkus, Prokina and Gengiev would do nicely. In Bregenz only its weaknesses were evident – through no fault of the conductor, Vladimir Fedoseyev, or the choir imported from Moscow and Sofia. Indeed, Fedoseyev's command of the idiom, notably in the gentle choral interludes, was the most striking feature of the performance.

The biggest disappointment was Nell Armfield's staging. *The Demon* is a drama of the soul, crying out for the kind of abstract modern treatment which would force its psychological and sexual undercurrents to the surface. What we got in Carl and Anette Clavie's design was the blandest story-book pictorialism. Uttered with Russian folk costumes, clichéd Cossack choreography and a devil who could have stepped out of 100 productions of *Faust*, Armfield will have to do better when he makes his UK debut next season with WNO's *Billy Budd*.

In the title role Egils Silins floated round the stage like Batman, but failed to project the Demon's stalker-like lust for sex and salvation. Marina Mescheriakova, who also sang Tamara in the 1994 Wexford production, never quite captured the troubled spirituality of the part. Ilya Levinsky made the best of Sinoal, the short tenor role, while Olga Alexandrova was a suitably beatific Angel.

Next year's rarity will be Montemazzi's *L'amore del re*, and David Pountney and Stancos Lazaridis return in 1999 to stage Martinu's *The Greek Passion*.

Radio The day the news was lost

truly British in its eccentricity, is the BBC's determination to do more of what it's beginning to do badly and shelve what it does supremely well.

John Birt has had a pay rise of 18 per cent.

Back to the real world and one of the BBC's greatest glories, *The Proms*. Or, for this unfortunate scribbler, not. Every year a special press office is set up to deal with the Promenade Concerts, the biggest and cheapest music festival in the world. This year it seems to have collapsed under the strain, to judge by a pathetic message left on my answering machine by a plaintive young woman. A request for press photographs was met by an irritable whine from another young woman who said that they only had pictures of James Naughtie and the Albert Hall, distinguished from one another with some difficulty, it transpired. The Radio 3 press office has stepped gallantly into the incommunicative void left by the farming out of vital services to part-timers and amateurs – a disastrous policy evidently not confined to making programmes.

John Birt has had a pay rise of 18 per cent. From the corporation's unfunny Baling comedy to deliberate humour. For long a running sore in Radio 4, light entertainment is looking up from what once

seemed its death-bed. Goodness *Groceries Me* has returned: that cheerful, unprejudiced and supremely good-humoured comedy show with an Asian slant, as funny about the pretensions and foibles of British Asians as it is about the British – er Europeans, I suppose is the rather unconvincing label. The series reassures us that it's possible to be amusing and, yes, satirical without viciousness or prurience, something that the likes of the all-failing, all-floundering *Week Ending* forgot years ago.

The key, in comedy and drama, lies in finding good writers. The BBC has discovered Colin Johnson, and as is their wont, may flag him to death. *Cold Call* filled Tuesday's Thirty-Minute Theatre slot agreeably; a nifty little tale with a twist about phone-sales of advertising, written with an accurate feel for embarrassment that bespeaks personal experience. Even sharper in its aim is *Capital Gains*, Johnson's Thursday-morning serial, with the wonderful Peter Jones as a millionaire who goes into the loomier (i.e. more humane) end of politics in the face of developers, speculators, planners, crooked local government employees and the like. Great fun, wonderfully apposite. So too is the irreplaceable Chris Langham in *People Like Us*, which returns for a new series after repeats to remind us how good it was. Roy Mallard is the man from the BBC, an inept bungler who reminds us of another bird-named (and brained) media man, Alan Partridge. Mallard's weekly radio investigations arouse the derision of his subjects, vaguely perceived but not quite understood by the hapless media chap himself. He reminds me of someone, though I cannot put my finger on it.

John Birt has had a pay rise of 18 per cent.

Martin Hoyle

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How to Spend It

Farewell to Fair Isle on the fairway

Lucia van der Post finds herself bemused by the outbreak of good taste on the greens

There he was on the final green - Justin Leonard about to make his final putt in what was to be as much a victory for good taste and designer labels as it was for an emerging talent. The studied good taste of the Ralph Lauren Ivy League look was about to record a momentous win over the bright purple stovepipes of Jesper Parnevik and his designer, Johan Lindebergh. Good taste had won and we should have cheered but treacherously, chirpishly, came the thought - would golf ever be quite so beguiling ever again? Time was when those of us who are not obsessed with watching

grown men hitting small balls into tiny holes switched on to hoot at the sheer awfulness of the sweaters and those strange garments called slacks. How we laughed at the flurries of checks and mismatched Argyles, the flasks of improbable colours, the polyester layers and the general naughtiness of the clothing. How we hooted at the sight of talented athletes swinging their way to a fortune with not a decent

sweater between them. Short of gloves, too. They never do seem to find a matching pair.

But last weekend, as we tuned into the Open, we were met with a shocking sight - monochrome chic had hit the greens. Plain navy, muted grey or cream chinos accompanied by sober polo shirts were everywhere. Gone was the naughtiness and in its place was a strange sobriety. It was as if the costume designers

to *The Likely Lads* had been swept away by the preppy Ralph Lauren ads team.

This doesn't mark an outbreak of aesthetic scruples. Golfers, like tennis players, will wear anything, it seems, so long as they're paid, and this year they're being paid to wear chic. The big designer guns, the boys who are world-renowned for their elegance, their refinement, their understatement - to whit

Giorgio Armani and Ralph Lauren - have moved into golfing gear. They know a good thing when they see it. Clothes have always mattered but now they matter more than ever.

If you're Tiger Woods and Nike is your sponsor, you're not only in the money (his contract is reported to be worth \$26.5m over the next five years), but you're in luck - you've got some strong simple colours and just a big tick

of a logo to contend with.

If you're Jesper Parnevik, you earn your money the hard way - it's purple stovepipe trousers, large but ungainly logos from a German computer software company (SAP), but you can turn up the brim of your hat so you can tan your forehead - an idiosyncrasy that he has turned into big business.

If you're Nick Faldo you get to wear the Fringle sweaters (he's a

steal at a mere £1m a year). If you're Seve Ballesteros, Boss calls the tune while Fred Couples and Ernie Els stride the greens in Ashworth. And if you're Tom Lehman - Blue Collar Man - and you feel you're not a "\$150 pants man", then you get Dockers to pay the bills.

Golf used to be a fashion-free zone, a dodgy sartorial world unto itself. Payne Stewart in his plus twos still flies the maverick flag, a few absurd shirts and sweaters still enliven the screen. But by and large, now that Lauren and Armani have arrived, the fun has stopped. Good taste rules and oh, how I miss the bad.

Fashion

Can golf ever get itself out of that ungroovy bunker?

Unreconstructed Nick Sullivan pulls on his purple v-neck and lime green slacks and doggedly heads for the first tee

Every sport has its own style rules, its sartorial purisms more often than not completely at odds with prevailing fashion trends. Golf is no exception. Within the frame-work of the game, clothing which appears irredeemably absurd to an outsider has always been perfectly normal to practitioners and spectators alike.

While the old guard of the golf establishment, particularly in this country, clings grim-faced to its age-old, old-age traditions, new pay-and-play courses are springing up everywhere. But if you think this means you now can turn up for a round wearing any old clobber, you're sadly mistaken.

That's not to say that old school golf style doesn't have its fashion moments. Two years ago, the more extreme end of golfing chic - think Payne Stewart in his electric yellow loonytoon outfits - found new fans

started to produce their own golf collections. Last year it was Giorgio Armani, Gianni Versace and Ralph Lauren; next year clothing giant Hugo Boss joins the club with the imaginatively titled *Hugo Boss Golf*.

But taking this as a sign that golf is finally becoming groovy is premature. Brand extension is top of most designers' list of priorities, but when you have established a main line collection, a secondary line for distribution through department stores, a diffusion line, jeans, underwear, home collections, the possibilities get a hit thin on the ground.

It is the establishment of sport as a lifestyle in its own right that is making golf, like skiing or tennis, worthy of the attentions of fashion's big guns. That said, launching a line for a specific sports market is not straightforward.

For all their bright colours and clashing patterns, the best of traditional golfing specialists have worked hard to enjoy their credibility among golfers. This makes it far from easy for fashion designers to edge their way into the sport and just do their own fashion thing without a hefty dose of product endorsement from key players.

Ralph Lauren is the sportswear designer par excellence in the US. Apart from his specialised Polo-Sport range, which covers every kind of outdoor activity from rock climbing to tennis, his main line collection is so suffused with sporting references that his golfwear, launched last year, looks just as wearable as the rest. In fact, the collection features clothing little different in appearance from his main Polo range, with his signature summer plaid polos and washed-out khakis.

Yet, in performance terms, Lauren has hit the nail on the head. He uses Supplex yarns in knitwear to aid the wiping away of perspiration and includes shower suits which can be deployed quickly and easily in the event of a downpour. The all-important gear - the golf shoes, gloves and bags - are covered, too. Even the balls have his crest on them.

Hugo Boss, for its part, has long maintained a high profile on the links as a leading corporate sponsor of players such as Seve Ballesteros and Bernhard Langer. But the awaited golf collection, which is just about to be unwrapped, will be a new departure, sold through green grass golfing shops as well as the company's boutiques worldwide.

Armani, like his competitors, wisely did not dive in head-first with Argyle pat-



Clockwise from top left:
 □ Navy/red/white wool Argyle sweater (worn back-to-front), £90, by The Scotch House.
 Navy/red/green check trousers, £90, by Woods and Irons from Harrods.
 Navy and white visor, £9.99, by Titleist from Haver Golf Club Professional shop.
 □ Dress Gordon trousers, £85, and matching cap, £20, by The Scotch House.
 Navy Argyle polo top, £75, by John Smedley.
 Argyle cashmere socks, £25, from Harrods.

Black and white brogue golf shoes, £155, by Church's.
 Big Bertha clubs, £999, for a set of irons plus orange, white and yellow golf balls, £1.50 each, all from Harrods.

□ Lemon wool rollneck sweater, £50, by The Scotch House.
 Gold brooch, £140, by Seude.
 Lemon visor, £12, by Kangol.
 Putter, £129, from Harrods.

□ Left: Red wool rollneck, £50, and red tartan trousers, £99, from The Scotch House.
 Brown and white golf shoes and brown glove to order from Polo

Golf by Ralph Lauren.
 Red cap, £24, by Kangol.
 Right: Black zip-up jacket, £229, by Giorgio Armani Golf, from Harrods.

Black and white trousers, £85, from Versace Sport; black and white golf shoes, £73, by Reebok; white glove to order from Polo Golf by Ralph Lauren.

□ Left: Navy/white/white stripe top, £125; beige chino trousers, £130; brown gloves and brown, white and white golf shoes to order, all from Polo Golf by Ralph Lauren.
 Right: pale blue button-down shirt, £115, and dark green

trousers, £125, all by Giorgio Armani Golf.
 Green glove to order from Polo Golf by Ralph Lauren.
 Black and white golf shoes, £155, by Church's.

ADDRESSES: Harrods, Brompton Rd, London SW1 (0171-730 1234); Reebok, 01624-590100; The Scotch House, 2 Skompton Rd, London SW4 (0171-581 2153); Church's, 201 Regent St, London W1 (0171-734 2438); Kangol, 0171-487 4888; Versace Sport, 153-184 Sloane St, London SW1

(0171-259 5700); Giorgio Armani Golf, 37 Sloane St, London SW1 (0171-235 6232); Ralph Lauren Golf Collection at Polo Ralph Lauren, 143 New Bond St, London W1 (0171-481 4867); Seude, 0171-580 9042; John Smedley, 0171-734 1519.

□ Photographer: Scott McGee, assisted by James Mountford and Cee Teranova. Stylist: Crystal McCleary. Grooming: Thomas Dunlop. Using John Frieda. Products: Modiste Cien Griffin and Phil Missig.
 □ Shot on location at Haver Golf Club, Haver, Kent (01752-700771).

Sport is now a creative tool as powerful as sex in the game of selling stuff to men

among fashion designers and stylists who liked it for its very lack of style. In short for its nerdiness. All that bright or pastel knitwear, the mad clasp of pinstripes, the quintessential eye-popping checked trousers - was too good to pass up for the catwalk. It fitted the mood of a moment, even if not a thread made it on to this links for real.

Periodically, bits of golfing software - from flat caps to roll necks - can make it across the gulf into fashion-ability, but their appearance are few and far between. Contrast that with yachting gear, hardly a sport any more actively enjoyed by the unwashed youth of the nation.

Fashion has long had a passion for the functional detailing and technical fabrics of brands such as Henri-Lloyd, Helly Hansen and Musto, and countless other labels designed for salty types and worn by people who have little more experience of the briny than taking a cross-channel ferry. Sailing is sexy. Rugby is sexy. Soccer is sexy. Golf is, well, golf.

It is in an effort to change this that some of menswear's leading fashion labels have

turned sweaters and plaid slacks. Sticking resolutely to his signature beiges and pared-down, functional comfort, last year he launched a range of simple pieces for men and women designed to perform superbly, but in colours calm enough not to frighten the local bird population.

As a result, his golf range looks as good on the street as it does on the putting green. And why not? As outsiders, Armani, Lauren, Boss et al can take their urban style on to the greens knowing that the hardcore purists of the golf world may never take to their sludgy greys and neutrals but that die-hard label freaks will. Like homeware or fragrance, golf is another potentially lucrative niche for the all-important brand name.

Sport is now a creative tool, as powerful as sex in the game of selling stuff to men. Manufacturers of

everything from car parts to soft drinks use it as a shovel to dig themselves into the psyche of global youth.

These days sport is as much part of the 1990s lifestyle mix as music and designer fashion.

Even cricket, still little known beyond the faded pink bits on the map, can sell Coca-Cola (as long as you feature New Delhi teenagers and not the English XI). Yet strapping, among all these springing, bike riding, bungee jumping, skateboarding, snowboarding, skydiving dudes, there are no golfers. That is, except one.

Tiger Woods is 21 and already a star on the world pro-circuit. Mobbed wherever he plays by a new breed of fan more commonly seen on the baseball bleachers, Woods is golf's first teen idol and a truly great golfer in the making.

So far, however, despite the hysteria which surrounded his Masters win last month, his pro-performance is less celebrated than the little white tick on his polo shirts. For Woods represents US sportswear giant Nike's first foray into golf, a sponsorship deal which has so far earned him \$40m, with a further \$4m from golf ball manufacturer Titleist.

With golfing role models such as Greg Norman and Jack Nicklaus on the pro-side and Bruce and Taryn teeing off for the celebs, it is hardly surprising that golf is not a deeply fashionable sport among the young.

It is no less surprising, therefore, that Woods is the media's favourite *wunderkind* of the moment. Golf has always been primarily a white, middle-age, middle-class business. By token of his age, as much as the colour of his skin, Woods is the dream ticket to a whole new

ball game for young people, for whom whacking a ball up a fairway has never been a particularly attractive pastime. But the biggest obstacle to getting into the game for many is not the snobbery, the cost, nor the company. It's the gear.

Nike's take on golf, just like that of the fashion gurus, is more than anything an attempt to position its trademark swoosh across the board as an omnipresent, if not omnipotent, force throughout the sporting world, a tactic already proving effective in most other competitive sports.

Few expect the new crop of designer golfing labels to beat the specialists at their own game, any more than they expect the world's golf clubs suddenly to fill with off-season snowboarders looking for an alternative adrenalin rush. So there's no need to burn that mango cashmere v-neck just yet.

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HOW TO SPEND IT

A chance to buy a bit of Cartier style

Lucia van der Post praises the bravura of the jeweller's 150th anniversary catalogue and looks forward to an exhibition of its rarest designs

For sheer bravura, the 108-page mail order catalogue Cartier has launched to celebrate the 150th anniversary of its founding is hard to beat.

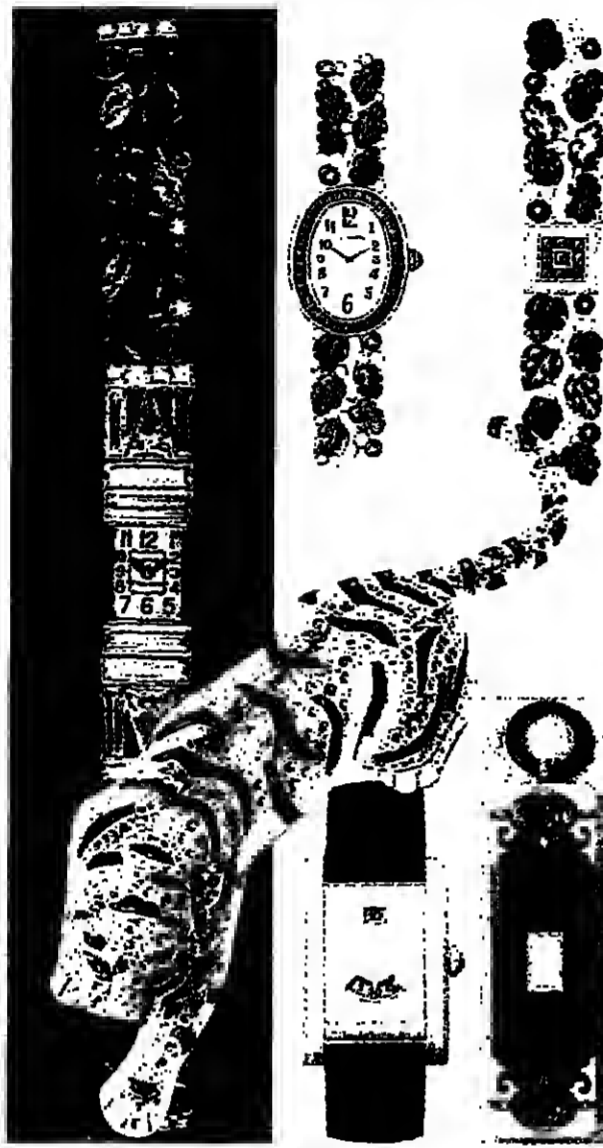
Here we are in the supposedly tender, caring 1990s when the bad old spendthrift ways of the 1890s are meant to be over and Cartier comes up with a catalogue in which the least expensive item will set you back £530. A Les Must watch costs £925, a classic 18-carat pink gold ring set with diamonds £1,995, while some of the one-off designs, the grand set piece *colliers*, for instance, run out around £335,000.

But for those who have long nurtured an admiration for the designs produced in Cartier's heyday - generally accepted by Cartier itself, as well as by auctioneers and collectors, to be the period from about 1900 to the start of the first world war when Cartier was establishing itself as a leading jewellery and fine object house - here is a chance to buy and own some of that design flair.

For almost everything in this anniversary catalogue is based on the old design traditions of the Cartier story. Here are pieces based on the brilliantly coloured Tutti Frutti style - developed to suit the dazzling stones Indian maharajas brought over to be given the Cartier treatment.

The Tutti Frutti watches are the epitome of ingenuity - like jewelled bracelets with the watch faces concealed behind baguette-cut diamonds or combinations of ruby cabochons and emeralds. Then there are pieces using the tiger and panther motifs so beloved of the Duchess of Windsor, rich gold and black lacquered pens with watches in the tops, matching lighters and Art Deco influenced lizard-skin handbags.

All come in limited editions only - in numbers that are weighted with historical significance for Cartier.



Left: A 1930s narrow multi-jewelled watch and top right, new limited edition Tutti Frutti watches in 18 carat white gold with oval or square dial. Centre, tiger brooch in yellow gold and platinum watch (£14,400) from the anniversary collection. Bottom right, 1920s Cartier Vanity case, from the archive collection.

Some of the designs are one-offs, some are made in editions of just three (representing the famous three-band rolling ring and the three Cartier shops in Paris, London and New York), others in batches of 150 (the age of the house of Cartier) and yet others in editions of 1847, the year it was founded.

A few of the most popular designs sold almost immedi-

ately, many slight unseen, bought straight off the catalogue pages. An exquisitely simple evening bag topped with a jewelled panther clasp, after the style of the designs the house did for the Duchess of Windsor, sold out its edition of three straight from the catalogue, at £30,000 each.

The sapphire and diamond *collier* (total of 690 sapphire



The days when men wore the jewels: the Maharajah of Patiala in 1941 wearing a large diamond bib necklace and diamond collar, made by Cartier

beads and four Ceylon cushion-shaped sapphires adding up to about 28 carats, as well as 89 baguette-cut diamonds totalling 32 carats) sold immediately, as did the 15 wonderful pens in 18 carat yellow gold with a watch in the lid (all at £14,150 a time), while all 150 examples of an elegantly simple platinum watch sold out at £14,400 each.

But there are plenty of fine examples left and anybody interested in buying into the Cartier style and wanting a catalogue of the *Les Collections Privées de Cartier* should telephone 0171-493 6962 for a (free) copy. It is beautifully produced and those of us who will never be able to muster the sums required to own a piece can gaze at the pictures and marvel at the human skill, artistry and ingenuity that went into making them.

Beautiful as the items in the *Collections Privées* are, they pale beside the glittering beauty of the 227 archive pieces that have been put together by the British Museum and the Museum of Modern Art in New York to make an anniversary exhibition.

These are on show at the Museum of Modern Art in New York, but from October 1 until February 1 next year they can be seen at the British Museum. All the exhibits (which include jewellery, clocks and watches as well as objets d'art such as cigarette and vanity cases) are from the years 1900-39. All are historic designs from Cartier's most creative years and most are of quite stunning beauty - the cigarette cases in enamelled gold, agate, emerald, rubies and diamonds set in platinum, the jade mystery clock, the cigarette holder of jade, onyx and diamonds, the vanity cases in turquoise and pearl.

As David Warren, director of Christie's Jewellery, puts it: "Any jewellery from Cartier's heyday is keenly sought after by collectors. In the first half of this century, Cartier's fantastic designs led the jewellery world and so today any sale of pre-war Cartier designs is more or less guaranteed to be a sell-out."

"We have held two Cartier-only sales [in 1992 and 1993] and both were a huge success with collectors around the world. Fortunately, these were Cartier's most prolific years so enough pieces came up to allow quite a few people to build a collection." This is a wonderful chance to see these rare archive pieces. For those who cannot get to the exhibitions there is an appropriately sumptuous book, *Cartier 1847-1997* by Judy Rudge (£50 hardback, £20 paperback) which tells the whole remarkable story.



Top, evening bags from the new limited edition collection - hexagonal Art Deco style in gold lizard, £1,250, and black silk with jewelled Panther clasp, £30,000. Bottom, two vanity cases from Cartier's archive collection. Bottom right, one of 15 new 18 carat gold and black lacquer fountain pens, £7,850.

Happiness is a big fridge

Lucia van der Post discovers a new kitchen status symbol

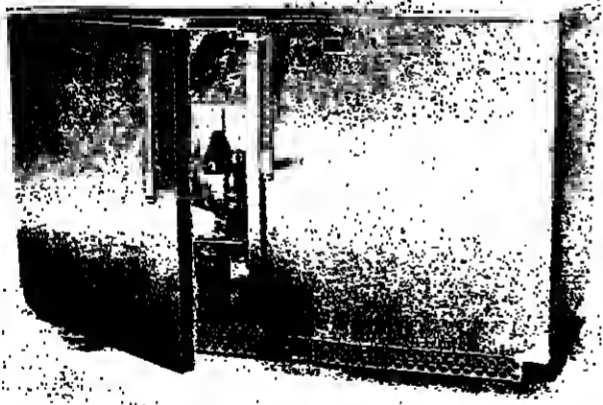
Funny how the fridge has become the status symbol of the late 1990s kitchen.

Once it was the Aga one was called upon to gasp at... or just possibly the island unit or the rag-rolled Smallbone units. Today, it's the fridge.

This is particularly odd given how few of the young seem to enjoy cooking. The less frequently they cook, the more they seem to need professional-standard equipment to display around the kitchen.

Whether they know how and never get the time, or whether they would like to and don't know how, remains one of life's newer mysteries. What is certain is that they can discuss in minuscule detail the finer points of polenta and pasta, drool over menus and expatiate on the merits of the different sources of balsamic vinegar without ever needing to touch the cooker (which, incidentally, also needs to be large and of semi-professional or real professional standard).

The fridge, though -



An option from Fournieux de France is the Lacanche side-by-side, double-door fridge, under-counter style. This could be a useful option for those who don't want something that takes up too much vertical space and prefer it to spread horizontally. It has all the usual Lacanche features, from state-of-the-art circulation to humidity and temperature controls (no need to defrost). With a volume of 12 cu ft, height 690mm, width 1,510mm and depth 650mm, it costs £2,489 and is available from John Lewis stores. For the names of local stockists, contact Fournieux de France, Unit 30, Albion Close, Poole, Dorset, tel: 01202-733011.

matters. And what matters chiefly is that it should be large. Not only should it be large but it should stand

proud and alone, not skilfully hidden away behind false panels, masquerading as just another cabinet.

If see-through or simple stainless steel is a little demure for your tastes, then consider Ariston's fridge/freezers with a choice of 10 different boldly coloured designs on the front. Choose from coloured balloons, a steam train, the Eiffel Tower, a giant strawberry, bunches of lemons or an alarm clock. Shown here is the Ariston 402D fridge/freezer: capacity 255 and 125 litres respectively, with reversible doors. It is 200cm high by 60cm wide and costs £750. For stockists telephone Merloni Domestic Appliances on 01895-886200.



Whereas white was once the only colour for fridges, today bright colours are part of every range, from accessible models such as Zanussi to the higher-priced, more exclusive models such as the Lacanche collection of what it calls "semi-professional" fridges.

Fournieux de France discovered when it launched its Lacanche "industrial" style cooker that the no-cook generation, reared on ready-prepared meals and instant foods, needed the reassurance of a proper professional cooker. Never mind that they scarcely ever cooked on it - it reminded them that they were the sort of people who could and would cook if only life were somehow different.

So it is with fridges - though, here the functional element has a stronger role to play. Besides reassuring its owner that this is the sort of family which has proper jumbo meals, it is big enough to hold multi-layered pizzas and any number of Marks and Spencer char-grilled chickens.

Fournieux de France, encouraged by the success of its "industrial" style Lacanche stove, has introduced a range of semi-professional fridges. Made from stainless steel, the 14 cu ft version shown here comes with several possible storage arrangements. This version is see-through with a smoked-glass door (yes, it does mean cleaning up your fridge habits but nobody said keeping up with trends was easy). You can also buy it with a stainless steel door, 1,720mm high, 645mm wide, 700mm deep, it costs £2,390. For stockists, contact Fournieux de France. Tel: 01202-733011.

MOTORING



Road Rage

Don't try driving under the influence of anger

Kerry MacKenzie tells how therapy is all the rage in the struggle to get off the highway from hell in one piece



Had US therapist Arnold Nerenberg encountered those senior British police officers who, in the early 1990s, dismissed road rage as an American phenomenon, he may well have diagnosed them to be "in denial".

But then Nerenberg takes more of an interest than most in the business of road rage. From his practice in Whittier, southern California, land of the freeway from hell, he specialises in the latest offering from the US psychologist's couch, road rage therapy.

He has developed a 10-point programme for people who fear their hot temper behind the wheel will land them in trouble, and has set up a dedicated hotline for "talking down" enraged drivers on the verge of assaulting a fellow motorist. For the overly agitated, he will hop into the back seat to offer what he calls "ride-along therapy". Sometimes,

just to ram the message home, the destination will be the local mortuary.

As he perches in the passenger seat looking over the shoulder of his "students", as he prefers to call his clients, the soft-spoken Nerenberg steers them towards the attitude he feels they need to adopt to avoid highway warfare. "Half the battle is recognising they have a problem; in road rage therapy, I teach them alternative reactions," he explains. "I tell them they don't want to drive under the influence of alcohol or anger and remind them that they, too, make mistakes, that other people have feelings, and that we should not humiliate them with unnecessary horn-blowing or angry gestures. We would not want it done to us."

Several years ago, newspapers reported an incident involving a New Yorker whose vehicle ground nastily to a halt on the way to an important meeting. Furious, the man jumped out,

grabbed a gun from the boot and shot his car.

Today, says Nerenberg, it's the person who tailgates or whose expression or gesture is misinterpreted who is more likely to be the target of an upset motorist: the number of incidents in which one angry driver attacks another has risen to the US by 51 per cent since 1990.

Accordingly, Nerenberg warns against making eye contact with other drivers. Since the day he was pursued by an incensed road-user who took his apologetic wave to be an obscene gesture (he finally escaped by running a red light), he also cautions against any hand sign until the Department of Motor Vehicles gives its seal of approval. He likes the idea of a hand on the forehead.

"Being in a closed space creates a predisposition to most people to respond negatively," said Nerenberg, when asked what it is about a car that brings out

the beast in us. "The Sunday drive concept is pretty rare nowadays.

"And," he adds darkly, "deep within the human psyche is an urge to attack an anonymous other. You might be angry with your boss, your kids, your spouse, but you know you can't release it on Joe, because you know Joe and he's a nice guy. So you give vent on a stranger."

These days, along with guns and knives, anything from a baseball bat to a golf club to eggs is brought into service as a weapon on US roads. One elderly driver's missile turned out to be a prescription bottle. A road rager in Boston shot and killed a woman with a crossbow produced from the boot of his car. And fast food took on a whole new meaning when yet another aggrieved road-user lobbed a burrito in the direction of his intended victim.

Nerenberg is a vigorous campaigner to have reclassified driving with a loaded firearm in the

car as a criminal offence, instead of its status of misdemeanour. He would like all forms of road rage, including screaming and honking the horn, to be made illegal. And he wants road rage itself, which he describes as a "pathological condition", to be recognised as a mental disorder.

He disagrees that road ragers are simply the same people who start or jump into bar brawls and football fights, and identifies two types: "One has a rage problem. They're pretty hard to cure. Then you have real honest-to-God road ragers, people who are as sweet and as nice as can be in social situations. The other side comes out when they're behind the wheel."

He declares his studies, involving 200 respondents - admittedly, he agrees, a small number - show 55 per cent of people to have road rage. He would like to see the issue addressed in schools. "People have to be aware of just how dangerous and how much of a contagious disease it

is. A lot of my contribution in doing this will be to prevent other people from becoming road ragers."

In common with many successful entrepreneurs, Nerenberg, 55, a practising psychologist of 25 years, fell into road rage therapy by accident when he treated a couple whose marriage was going in the wrong direction because the husband turned into a monster behind the wheel. Other clients, he discovered, had a similar problem.

His sideline grew and Nerenberg produced *Overcoming Road Rage: The 10-step compassion program*, a pocket-sized pamphlet that practically begs to be the butt of only-in-America jokes. Bumper stickers followed, and a flurry of press releases issued by his publicist duly secured him the title of "America's road rage therapist" in the US press, with Newsweek magazine last month bestowing the ultimate accolade: "Leading practitioner in the road

rage therapeutic movement."

He disagrees that his latest line of work is just another West Coast fad. "The idea of this therapy, with people receiving help - it's a drop in the bucket. Road rage is an international problem," he argues, reasonably. And, as he is quick to point out, it's hardly new. While the number of incidents reported were fewer in the past, the consequences, according to both history and legend, were often as dire.

In 1822, while travelling in Italy, Lord Byron and his party got into a scuffle with, and later nearly killed, a sergeant major on horseback who cut them up as he galloped to roll call.

And it was on a narrow pass between Delphi and Daulis, with room for only one carriage, that Oedipus encountered the stranger that he didn't know was his natural father. A skirmish ensued over who should give way. And we all know what happened after that.



The new A-Class. Never mind the odd looks - at heart it is a real Mercedes-Benz

Road Test

Welcome to the latest immortal

Stuart Marshall believes the Mercedes-Benz A-Class is a world mould-breaker

To get an idea just how radical the Mercedes-Benz A-Class is, try to imagine a Rolls-Royce producing an Escort-sized hatchback, or Jaguar an open two-seater the size of an MGF.

There has never been a Mercedes-Benz remotely like the A-Class. For a start, it has front-wheel drive, is only 3.57 m (just under 12ft) long and has the boxy box, sit-up-and-beg styling usually associated with town car concepts that never got into production.

When I first saw it and sat in it at the Geneva salon de l'automobile last spring, I wondered what on earth Mercedes-Benz was doing. I listened to all the talk about the need for a new kind of vehicle that would be eco-friendly enough to please the greens, sufficiently small to relieve pressure on urban road space and priced so family motorists could afford

one. When Mercedes-Benz said it would be all of these things and perform like one of its proper motor cars, I had my doubts. Would it really be worthy of the three-pointed star?

My first drive last week was a revelation. The little car has clearly been built to traditional Mercedes-Benz, bomb-proof quality standards. It was as nippy and nimble as any small, power-steered runabout in town. Amazingly, it sustained 100mph (161kph) on an autobahn with minimal noise, absolutely no feeling of stress and some power in hand.

Gearing is quite tall at about 25mph/40kph per 1,000rpm. On winding, hilly roads, it cornered and handled as capably as any of its far less jiffy rivals. And the head, leg, hip and elbow room in the front and rear seats was what one would expect of a medium/large family saloon. (It has the same interior volume as a Mercedes-Benz C-Class.)

For inspired, mould-breaking design, the A-Class stands alongside such immortals as the Ford Model T, Citroën traction avant, Willys Jeep, VW Beetle and BMC Mini.

You step up into the driving seat and the view through the screen is typical of multi-purpose vehicles; all you can see are the parked wiper blades. Two of the five A-Class cars I tried had

optional semi-automatic transmission, like that of the Saab 900 Seasonic or Renault Clio Zoom.

It uses the standard 5-speed manual box with an automatic clutch, which takes up the drive smoothly and progressively and disengages momentarily for shifting gear.

It seems a good compromise as it will be cheaper than the 5-speed fully automatic transmission (not available until next year) but makes driving in dense traffic almost as relaxed.

Automatic and fully automatic transmissions will be available with the turbo-diesel engines.

In run-of-the-mill driving, the two petrol engines felt pretty much the same, though I thought the 1.6-litre even silkier than the 1.6-litre. However hard one pushed it, it just whirled softly. The 90 horsepower diesel muttered softly when idling and was noisier than the petrol engines only when accelerating hard.

As it produces 20 per cent more torque (pulling power) than the larger of the two petrol engines at far lower revolutions, overtaking in fourth and fifth gears is rapid. Average fuel consumption range from 40.9 mpg (6.9 l/100km) for the A-160 to 60 mpg (4.7 l/100km) for the A-160 turbo-diesel. Because their exhaust emissions are so clean - up to 40 per cent below the relevant EU limits - the turbo-diesels will benefit from tax concessions in Germany.

As a 4/5 seater, there is a reasonable amount of luggage space. The load floor can be extended by pushing the rear seat slightly forward. If you really need a huge amount of space, the back seats - and even the front passenger seat - come right out.

Mercedes-Benz reckons 80 per cent of the 200,000 A-Class it will make each year will be bought by people who now own cars

like Ford Escorts, Opel Astras and VW Golfs. It doubts many will buy a top spec automatic, air conditioned A-Class instead of a basic C-Class, even though the prices might seem uncomfortably close.

The A-Class arrives in Britain next year. Prices of the 16,000 Mercedes-Benz UK expects to sell will start at between £13,500 and £14,000. On mainland Europe, an entry model is likely to cost little more than £10,000 - but that is with sterling riding high. If the pound remains at this level next year, Mercedes-Benz UK will probably add more goodies as standard, not trim the price.

In Belgium, where sales start in October, the basic A-140 in Classic trim will cost BF£568,000 (£5,600), the A-160, BF£660,000. The Classic A-170 turbo-diesel - available from March 88 - will cost BF£660,000 while elegant or avant-garde trims add BF£77,350. Semi-automatic transmission will cost Belgians BF£28,036, fully automatic transmission BF£56,071 and air conditioning BF£50,977.

Assuming it is eligible, it is a foregone conclusion that the A-Class will win the 1998 European Car of the Year contest by a distance. No car has made a bigger impression on me this year. Like the Renault Mégane Scenic, it points to a future in which "one box" designs will be the norm.

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nor does it affect fuel economy.

Early A-Class buyers will have a choice of two petrol engines, 1.4-litre, 82 horsepower and 1.6-litre, 102 horsepower. Two direct injection 1,600 cc turbo-diesels, one producing 60 horsepower, the other 90 horsepower, will follow in 1998. The less potent A-160 turbo-diesel is to meet tax requirements to some markets. Most countries, Britain included, will get only the more powerful A-170. (Semi-

Sports Cars

The Frogeye reincarnate

Remember the old Sprite? Clive Fewins is glad to see a new and better version back on the roads

One of the most popular sports cars from the late 1980s is to make a comeback this summer. The Austin Healey Sprite, known affectionately in the classic car world as the "Frogeye", is to return to Britain's roads, albeit in a new and more powerful form.

With a new name and a new engine, but almost identical exterior to its illustrious predecessor, the Frogeye Supersprite conforms to all the latest UK emission and safety requirements.



The eyes have it: Keith Brading and Frogeye

The return has been possible because of a change in the British law on "type approval" licences. From July 1, for the first time, individual cars can be tested by the Department of Transport for a fee of £200.

Previously, only approvals for a blanket licence for mass market models were available. This could cost as much as £150,000 - a prohibitive figure for small companies such as The Frogeye Car Company.

Frogeye, with a staff of three and based in a tiny backstreet factory in Ryde, Isle of Wight, has produced 54 vehicles since it was founded by Keith Brading in 1985 as a specialist restorer of original Sprites.

Between 1958 and 1961, nearly 50,000 of the original Austin Healey Sprites were produced at Longbridge, Birmingham. When the car was redesigned in 1962 to meet the demands of the US market it lost its characteristic "frog eyes" - the protruding front headlights.

Brading and his team incorporated the headlights and the oval grill that gave the car its appeal in the 25 completely new cars they have made for the Japanese market, where they have been selling for £25,000.

"The Japanese are very hooked into originality and the importer pays the Japanese approval fees, so the arrangement has suited us well," said Brading.

The rest of the cars Brading has produced over the past 12 years have been remanufactured versions, using engines, gearboxes and back axles, and sometimes the front suspension from original models. They have gone mainly to the UK and German markets.

The new Frogeye Supersprite will have a Rover K-Series 1.4 DOHC engine -

the power unit used in the new MGF. It replaces the 1275cc A-series engine, designed by the Austin car company and a derivative of the engine used in the original models.

The version of this engine Frogeye used became obsolete last year, and in any case would not have passed the latest UK exhaust and emission regulations, said Brading.

"Our Japanese agents were worried that they would not be able to convince customers that the new car was authentic, because it does not have an A-series engine."

"They have told us that only after it has been bought by British and German customers will Japanese enthusiasts be prepared to buy the new model, so we really had to get it type-approved in the UK. Barring a few minor modifications the approval is complete."

The company has already received two orders for the Frogeye Supersprite, with its new engine, from Germany and the UK.

"Neither customer has ever driven the car, so we regard this as a big boost for our reputation," said Brading.

The Frogeye Supersprite will provide a superior ride and much improved road holding to that of its famous predecessor, known in the classic car world for its humpy ride and rather crude engineering. The new model also has a vastly improved performance over that of the Sprite. "The new power unit has a bhp of 103, as opposed to 43 in the original," said Brading.

The Frogeye Supersprite will do 0-60 in eight seconds and has a top speed of 120 mph. It has a glass fibre body, which is light and

should avoid all the corrosion problems associated with the early versions of the car.

"People today expect better performance and greater comfort and this is what we are providing. The new model will also be capable of 40 mpg," said Brading.

"I regard it less of a replica than a reincarnation. It has the authentic look and charisma of its much-loved predecessor and we think it will satisfy the nostalgia market as well as appealing to classic car enthusiasts."

The company also has plans to sell the car, the basic version of which costs £14,950, to the hire car market in resorts along the Mediterranean coast.

■ Frogeye Car Company, 12 East Street, Ryde, Isle of Wight, PO33 1JP. Tel: 01933 616616.

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FOOD AND DRINK

Wine Chile tempts with rich, spicy surprises

Jancis Robinson picks the best from an abundance of bargains

One of the most surprising phenomena in today's wine market is that so much excellent-value wine is still being shipped from Valparaiso to Britain, despite the extent to which Chilean bodegas have recently been plundered by the booming American wine market, and by Californian bottlers anxious to fill the gap left by phylloxera's predations in northern Californian vineyards.

American importers have pounced with particular enthusiasm on any available Merlot and Chardonnay, for these are the current icons of the average American wine consumer. As well as cutting back on the proportion of Merlot shipped to Britain, this seems to have slowed what was, a year or two back, a remarkable quality increase in Chilean white wine.

Too many inexpensive Chilean whites available in Britain lack character and definition. Two honourable exceptions are Conecha y Toro's Casillero del Diablo Aconcagua Chardonnay 1996, which is unusually rich and full for \$4.99 (Fullers, Victoria Wine soon and Thresher in September) and Errazuriz's Cesablanca Chardonnay 1996 from their new Escultura Estate in Casablanca (\$5.99, Oddbins).

The Errazuriz Chardonnay, a spicy, deep-flavoured, genuinely interesting wine, was made using the yeasts naturally present in the atmosphere (as top Burgundy domaines do, for example) instead of the safer, techno option of using specially cultivated yeasts.

As for Sauvignon Blanc, relative value from Chile and New Zealand seems to have come more into line



Too many inexpensive Chilean whites lack character, but the reds stand tall

now that NZ has a little more wine to sell. Sacred Hill's lively, limey Whitefish Sauvignon Blanc 1996 from Hawke's Bay in the north island is a particularly good NZ buy at \$5.99 from Majestic. (The price rises to \$7.99 next month.)

Chile's strongest suit, without a doubt, is value in Bordeaux-style red, even if, post-American invasion, it may now have to be fleshed out with a bit of inexpensive Malbec. Just \$3.49 will buy the perfectly respectable Rowan Brook Cabernet/

Malbec 1996 at Asda or the juicy Conecha y Toro Merlot/Malbec 1996 from Victoria Wine.

Oddbins can offer two laughably approachable 1996 Cabernets at \$3.99: La Palma's from Rapel (arriving any moment) and Luis Felipe Edwards Pupilla from Colchagua. They should probably be drunk young but are much more charming than one would expect at this price.

The Valdivieso winery is producing stunning value at the moment, most notably a

Cahernet which is rather more substantial than the two above, \$3.99 at Victoria Wine and \$4.29 at Sainsbury's. California has been a benign influence on this winery, in the form of wine-maker Paul Hobbs, who has wrought such magic for Nicolas Catena's wine empire across the Andes in Argentina.

Valdivieso's new Caballo Loco bottling has its fans, and is certainly impressive for a Chilean red, but in the wide world of wine there are probably better,

and certainly less oaky, ways to spend \$3.99 (Wine Rack and Bibendum of London NW1).

Isla Negra is another reliable label, and another inspiring source of 1996 Cabernet Sauvignon, in this case from Rapel via Waitrose at \$4.35. This wine has a lovely balance of weight and acidity with nothing obtruding except a few gentle tannins to stop perceptive consumers from drinking the lot immediately.

Cue Cono Sur, a favourite on these pages, has some-

how managed to hide a small consignment of 1996 Chimbarongo Merlot from predatory Californians and has sold it cheaply enough for Victoria Wine to charge only \$4.49 for it.

Concha y Toro, the giant company of which Cono Sur is a sort of diffusion label, continues to deliver some impressive bargains under its own name. A fiver will secure either of a pair of particularly fruity, beguiling reds: Casillero del Diablo 1995 Malpo Cabernet at Sainsbury's, Victoria Wine,

Fullers and Thresher in September and the gentle Explorer Casablanca Pinot Noir 1996 at Fullers in limited quantities.

Indeed, there is a plethora of Chilean bargains at \$4.99, such as Thierry Villard's well-structured Palmeras Estate Cabernet from Safeway, Casa Porta's Oaked Genesis Vineyard Cabernet, also from Safeway, and Casa Porta's aromatic, particularly convincing Cabernet Sauvignon 1996 from Oddbins.

Luis Felipe Edwards Cabernet Reserva (\$5.99 Majestic, \$6.99 Tesco) offers a rare chance to taste a Chilean antique, a 1994, that is well-mannered if not obviously worth \$2 more than the wines above.

Much more stunning, and definitely worth \$3.99 from Safeway, is Casa Lapostolle's 1994 Cuvée Alexandre Merlot, made with the sumptuously ripe hand of Michel Rolland of Pomerol.

Oddbins' Chilean cherry-picking has always been commendable and this is particularly evident in their selection of reds from \$7 to \$10. La Palma Reserve Merlot Rapel 1996 is commendably dense for \$6.99 and due in the UK any day, while for \$1 more Vina Santa Isabel's 1996 Cabernet Sauvignon proves that Casablanca is not too cool to ripen Bordeaux's most famous grape, even if this is a slightly New Zealand, minty style to keep rather than drink.

Best of all, however, are two stunning Don Maximiano Reserve bottlings. The 1995 Aconcagua Cabernet (much more impressive than the 1993 on sale at Victoria Wine) is \$7.99 and expected at Oddbins in September, while the Merlot 1996 is listed at \$3.99.

Both were made by New Zealander Brian Bicknell and finished by new winemaker Ed Flaherty, by Cono Sur out of Washington state fruit vines.

Window shopping takes on real meaning in Sassari. This ancient university town and provincial capital of northern Sardinia boasts a lively market with two covered halls and a large open courtyard, around which are butchers' stalls, others selling snails (a local speciality) and dairy produce.

One hall is dedicated to fruits, vegetables and herbs, the other is awash with fish, including nurseryloads of young crabs.

Some of the greatest enticements, however, are to be found in the narrow

streets that network the oldest quarter, around the cathedral and university. Only pedestrians, scooters and small cars can penetrate these alleys easily. My good friend Pietro Trentini negotiates them at a stately snail's pace - not that he is a nervous driver, but for gastronomic pleasure.

Cookery Sexual politics of the vegetable world

Philippa Davenport on the fresh, fragile maleness of a traditional Sardinian recipe



English and French cooks, if they use courgette flowers for culinary purposes, tend to plump for the females. The Italians regard this as an extravagant waste - because the female flowers only remain fresh while the courgettes growing behind them are so immature they lack any real flavour.

To enjoy both flowers and vegetables at their best, the traditional Italian solution is to use the male flowers for floral cooking (picking them as soon as they have pollinated the females).

Readers in the neighbourhood of Egham, Surrey, can take advantage of the Italian way of doing things by visit-

ing Green Landscape Nurseries (tel. 01784-435545). Their summer offerings include prickly stemmed (male) courgette flowers sold singly, as you would buy them in Italy.

To those who live elsewhere, I suggest talking to your local farm shop or nursery about the possibility of selling male courgette flowers once their pollen has been spent.

COURGETTE FLOWER & TOMATO ORZOTTO
(Serves 4)

I like to make this using male courgette flowers and courgettes that are 11-12cm long and weigh about 40g each. I have also made it using female flowers, complete with their infant vegetables. Such mini-courgettes look pretty but at no more than 7.5cm long and weighing less than 20g each, taste is not their forte. A good (and cheaper) dish can be made using courgettes but no flowers - providing the vegetables are fine, fresh specimens.

300g pearl barley; 20 cour-

gette flowers; 2-3 courgettes; 300g tomatoes; 2-3 shallots; 60g butter; 2tbsp olive oil; 700ml boiling liquid (small glass of white wine plus stock); Parmigiano cheese; few torn basil leaves; 2tbsp chopped parsley.

Soak the barley in plenty of cold water for several hours or overnight. Drain, rinse and drain again.

If the courgette flowers have been organically grown and you are sure they are clean, it is probably enough to shake the trumpets to rid them of dust and insects. Otherwise wash the flowers by brief immersion in cold water; shake gently to drain well and dry. Pinch out the stems, cut off the prickly stems and the base of the sepals (green caps). Then slice each flower in half, across the trumpet, put the deeply coloured petals tips on one plate and the paler, yellow halves on another.

Peel, seed and dice the tomatoes, cut the courgettes into large matchsticks, chop the herbs and reserve separately. Chop the shallots finely and sweat them gently

in butter and oil in a heavy-based pan or flameproof casserole. Meanwhile, drop the grain into a pan of fast-boiling, well-salted water; boil for 15 minutes and drain well.

Add the courgette matchsticks and the paler strips of courgette flowers to the softened shallots. Turn to coat with fat, fry for 1-2 mins and season. Add the parboiled barley and pour on the boiling liquid, all at once.

Cook at a moderate simmer, without a lid but stirring often, for 12-15 mins until the liquid has been absorbed or evaporated and the grain is cooked to your liking in a syrupy risotto style. (If the mixture dries out too fast, add a splash more boiling stock.) Two or three minutes before the end, stir in the richer-coloured strips of courgette flowers, 1tbsp parsley and about 2tbsp of shredded basil leaves.

To finish, switch off the heat, stir in 30g or so of freshly grated Parmigiano (and a nugget more butter if you like). Cover and leave to

NECTARINES WITH SARDINIAN MACAROONS
The fruits served for dessert in Sassari were of a quality rare, if not impossible to find in Britain. But to give a Sardinian flavour to summer puddings in the UK, here is a good way to make the most of the mainland Italian nectarines now plentiful in the shops.

First, let the fruit ripen for a few days at room temperature. When their scent wafts up enough to suggest their skins can be stripped without tearing the flesh, peel them. Cut the flesh from the stones in crescent moon slices and dress with two parts of freshly squeezed orange juice to one part of lemon plus a sprinkling of sugar.

Serve without cream, handing round Sardinian macaroons or amaretti, the sort that are large, slightly squidgey, intensely almondy and not too sweet. These are not sold by British retailers, as far as I know, but they are available to restaurateurs from Danmar International and to the public by mail order from Danmar's sister company. Take it From Here (tel: 01784-477812).

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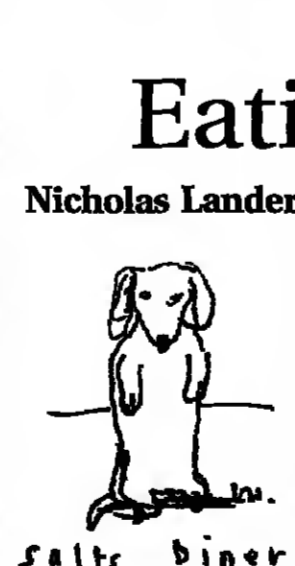
I had never wiped my mouth on a David Hockney illustration before. Nor, in fact, chosen from a Hockney menu; eaten off Hockney designed plates or been served by waiting staff wearing Hockney T-shirts and sweatshirts.

This review of Salts Diner, Salts Mill, Saltaire (though not Salts, but Yorkshire) between Leeds and Bradford, must come with the caveat that if you are not keen on Britain's greatest living artist then what follows is not for you. But for those who do find Hockney exciting, who enjoy the spectacular rejuvenation of a marvellous Victorian textile mill and who like to eat well, Salts Mill is a remarkable venue.

It should also be an obligatory destination for the committed restaurateur. Today's buzzwords in the business are simplicity and synergy. As they talk about possible new ventures, restaurateurs acknowledge that most cuisines of the world can now be found in the UK - from Italian/Thai to southern Spanish mixed with north African - and there is such a proliferation of restaurants that we, the customers, are becoming spoilt for choice.

The successful restaurants of tomorrow will have to offer either highly personable but costly service or more than just food.

Which is exactly what Salts Diner does. When Jona-



Hockney sketched the logo for The Diner

than Silver bought the 1.5m square foot mill in 1987 and installed a gallery, his intention was to serve little more than the usual tea, coffee and cakes. As his friendship with Hockney developed (it began in 1982 when, as a 13-year-old schoolboy, Silver wrote to Hockney asking for an illustration for the class magazine), it generated the need for more wall space to hang the large, impressive canvases and the Diner came into existence on the mill's second floor. Today, the ground floor contains more

than 300 Hockney paintings, lithographs and collages, with more arriving every month.

The Diner sits somewhat incongruously between a furniture showroom and The Home, an upmarket shop run by Jonathan's brother Robin. But so imposing and evocative is the industrial architecture that within the Diner there is no feeling of being cramped.

The original flagstone floors are intact, as are the large windows which flood the restaurant with natural light. The high ceiling is supported by cast-iron pillars, painted white and blue, and there are tall plants everywhere. The free-standing bar, pizza oven, walk-in fridges and cooking area form a large L in front of the windows, leaving the main area free for large round tables and space for children to run around.

It was a 12-year-old in our party who succinctly summed up the menu. "It has everything on it that I love to eat - now I can't make my mind up what to order." The pizza oven pro-

duces five different types; there are half-a-dozen pasta dishes; and the traditional Diner dishes such as a Salt burger or pastam and salt beef on rye.

More distinctive are the north of England specialties such as North Yorkshire smoked chicken salad; croque monsieur made with home-roasted Cumberland ham; and a grilled Cumberland sausage with pickled cabbage and mashed potato that the menu prudently describes as "very filling".

Desserts come on another trencherman's servings of bread and butter and sticky toffee puddings, four different cakes, including traditional carrot cake with

cream cheese and a 2in tall scone. The Diner is not licensed but operates a friendly BYO policy.

The Diner has to fulfil three criteria for Silver. "The food has to be good, the service quick and we have to offer great value for money," he explains. "If you try and charge more than \$4.99 for a main course around here, you enter dangerous territory."

Our meal met all these criteria, a credit to chef Jonathan Greenwood.

The Diner, Salts Mill, Victoria Road, Saltaire, Shipley, West Yorkshire BD18 3LB. Tel: 01274-531163. Open seven days 10am to 6pm; £10-£12 for three courses.

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PROPERTY / OUTDOORS

London's most popular residential neighbourhood evolved as a result of the Great Exhibition of 1851. Up to then, Kensington was a mix of market gardens and occasional villas. The exhibition transformed it into the home of London's great museums and some of the city's smartest residents.

The handsome stone terraces, crescents and squares of Queen's Gate, Onslow Gardens and The Boltons were built in its wake. Kensington never looked back. Is it possible that the Millennium Exhibition in 2000 can do the same for Greenwich?

So far, all eyes in Greenwich have been focused on Richard Rogers' spaceship dome which will house the Millennium Experience. Now that the government has thrown its weight behind the project, the transport system and services necessary to handle the project's expected 12m visitors are under urgent construction.

The government's one stipulation is that the project must have a long-term use. While arguments are waged over the relative merits of a convention centre, theme park or sports arena, the rest of the peninsula is planning its own long-term future.

Earlier this month a development competition was launched to create Britain's first proper urban village in Greenwich. The best of Britain's housebuilding, environmental and technical expertise is being asked to produce a community of nearly 1,000 homes, with cafes, pubs, shops, a school and a health centre.

The Millennium Village is part of a masterplan for the mile-long peninsula which culminates in the exhibition dome. The plan is a concerted attempt to avoid the piecemeal, ragbag development style of its Docklands neighbours - the Isle of Dogs and Surrey Quays.

English Partnerships, which owns the Greenwich site, along with its development and residential consultants, is determined to create a sense of place. It wants a proper streetscape, with roads which lead somewhere and link areas together: a riverside which presents a coherent, urban face to the water. It wants to build a place where people can work, rest and play within their own neighbourhood with the lowest possible reliance on the car.

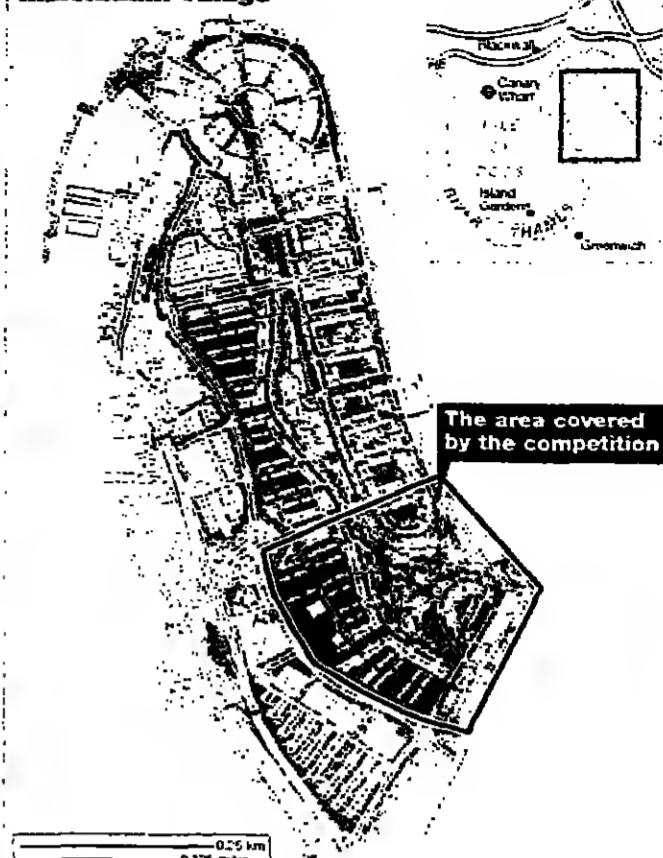
A mix of private and social housing is planned, rather than the present fashion for ghettos. There will be houses with private outdoor space, as well as flats with communal gardens. There will be the architectural freedom



A computer depiction of the Millennium Exhibition Dome superimposed on Greenwich peninsula

Chorley Handforth/Hayes Design

Millennium Village



The area covered by the competition

Source: English Partnerships/Urban Design

The millennium Utopia

Anne Spackman sees South Kensington as a model for the Greenwich masterplan

to build lofts or traditional terraces, in glass or in brick, but not to build rows of suburban boxes. The model for this modern Utopia? Kensington.

English Partnerships has turned to London's other exhibition-influenced neighbourhood for inspiration. The idea is not to copy Kensington's architecture, but to learn from its street layouts, building heights and density levels. The result is a strong grid-like pattern of roads, rather than the ribbon and cul-de-sac developments of the 1970s and 1980s housing estates.

Savills, English Partnerships' residential consultant, has counted up Kensington's garden squares and parks, the corner shops, hairdressers and pubs, to see how a lively, successful neighbourhood organises itself. Developers will be expected in the first stage of the competition to demonstrate their understand-

ing of this holistic philosophy and their ability to deliver it, rather than to submit designs.

The centre of the residential area features a green "lung" running down the peninsula into a 50 acre riverside park, which is the central feature of the Millennium Village. Some of the most prestigious and expensive housing is likely to be set in and around the park. Names being mentioned as potential participants in a development consortium include Berkeley Homes, the householder, and Northacre, whose developments have set new price levels in areas such as Kensington.

Will this ambitious scheme work? It has two big disadvantages when compared to Kensington 150 years ago. First, instead of trees, hills and market gardens, Greenwich peninsula is a barren, brown, former gasworks site.

Without the work being undertaken to decontaminate the site, it would not be financially viable for housebuilding. Future residents and their surveyors will need to be convinced that the site has been properly cleaned up. If there is a suspicion of contamination in the parks or gardens, the scheme will be ruined.

Second, Greenwich is not in the heart of London, bordering top-of-the-range Belgravia. It lies between the emerging Docklands zone of Canary Wharf and the old town of London. The new schemes planned for Canary Riverside on the Isle of Dogs could deliver some potential extra pupils.

The Millennium Village also has the advantage of good timing. Just five years ago such a scheme would have been inconceivable. Now the capital is enjoying price rises of up to 20 per cent a year and there are few good homes on the market.

Also, there is growing confidence that modern architects can deliver attractive buildings, like the new restaurant in the Oxo Tower, with its walls of glass.

Richard Rogers' new Montevetro building, a steel and glass wedge of apartments being built in Battersea, rather than the brutal concrete structures which blighted modernism's reputation in the 1960s.

There is no intention of creating a village of glass and steel in Greenwich. Although the Richard Rogers partnership are master planners, they have been appointed to ensure a consistent quality rather than style. "This will not be Milton Keynes, where you have experimental buildings which are commercially unviable and which no one wants to live in," says Victoria Mitchell of Savills. If asked to give a real-life example of a successful urban village, the consultants have few

suggestions. Celebration, the Disney residential development in Florida, is about as close as anyone gets.

The reason is that urban villages are difficult to do well. They have to reconcile conflicting interests: the desires of wealthy home-buyers and the need for social housing, the urge to drive and the need to reduce traffic levels.

English Partnerships is about to appoint its key people on the project. Getting those appointments right will be crucial to maintaining the balance between the urban village ideal and commercial realities.

Professor Roy Porter, author of the acclaimed work *London: A Social History*, believes this is a tremendous opportunity. He says: "There is a vision that London is bursting at the seams and yet here is this gigantic wasteland. It was born and brought up in that area and I didn't even know it existed."

"The Great Exhibition of 1851 made a permanent transformation of South Kensington. Similarly, in Greenwich, they are shaping a part of London for generations to come."

Gardening

Keeping order on the border

Robin Lane Fox favours a surge of energy in late July if growth impetus is to be maintained

The roses are taking a breather and you are probably thinking likewise, looking forward to a break. My gardening life is a battle against breakers anywhere in the flowerbeds' year. When ever I go away, my aim is that the borders should not have gone quiet first.

The art of prolonging the show is essential to worthwhile gardening. It needs forethought, one small surge of energy before late July and a willingness to think beyond yet more bedding plants as emergency alternatives. It takes years for a border to evolve, but the most promising fact about my borders' evolution is that they do not lose their impetus by late July.

It is, I fear, more than a matter of choosing plants from a list. Many gardeners dodge the task, but they ought to roll up their sleeves and cut back thoroughly almost everything that's had its day by the end of June.

Hardy geraniums are ever more popular, but most make a miserable impression in late summer. Almost all of them are tidier and happier if they are cut right back to their main tuft of leaves at ground level after flowering. I first noticed this when one of our college's temporary gardeners celebrated the acquisition of a new rotary mower by running it over a long stretch of Geranium Kashmir White in the front of a flowerbed adjoining the lawn.

Curiously, it responded with elegant vigour, throwing up neat, new growth after its unrequested addition to the mowing routine in early July. Those popular relations of Geranium Prænanthes or sylvaticum respond

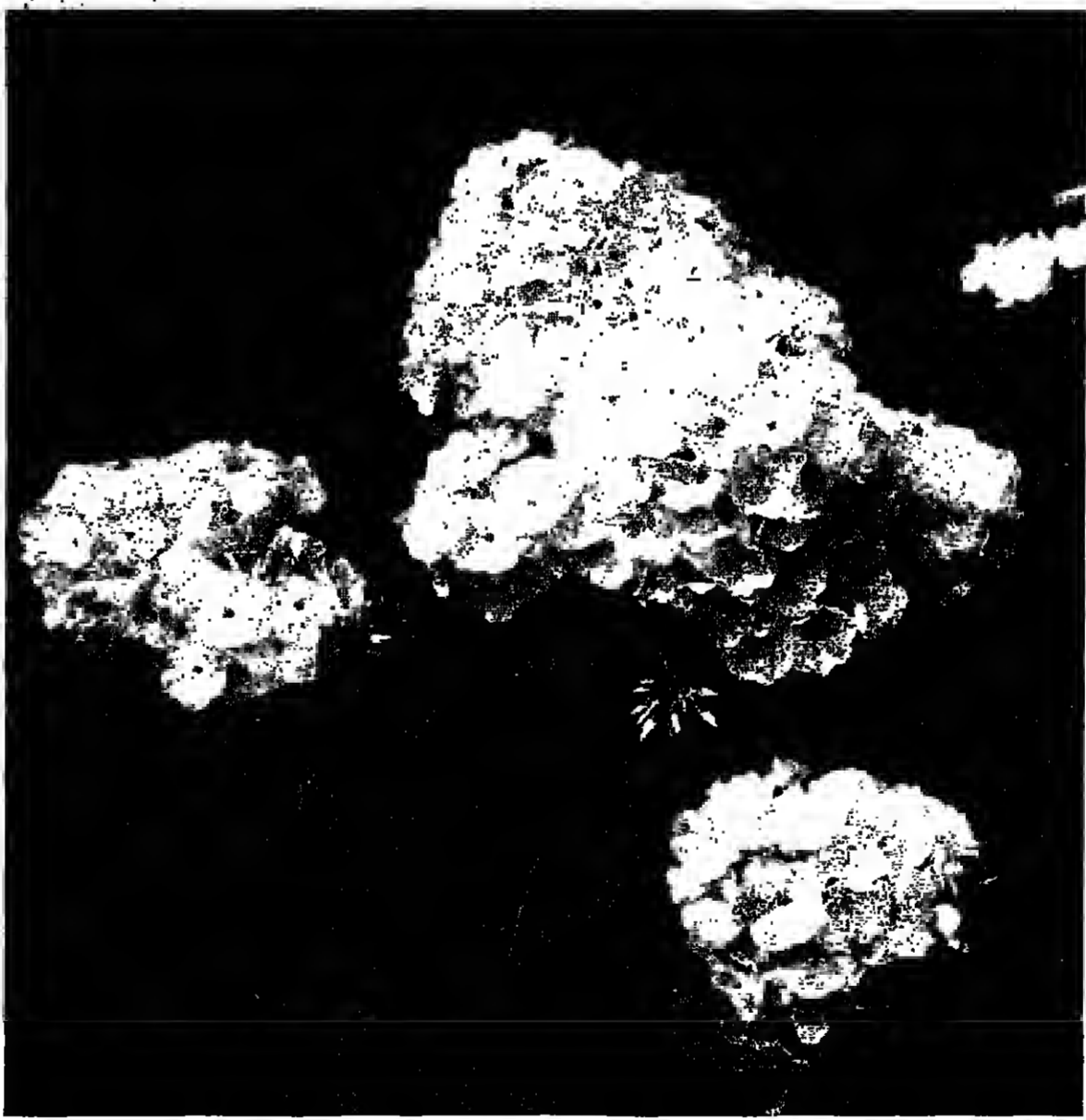
likewise. So do most forms of catmint, disappearing perennials and the ever-present Alchemilla, which seeds itself atrociously if you do not cut it back in the next fortnight.

Begin, then, by levelling and cutting. Then, ask yourself how much of the border is still to come into its own before it is rescued by Michaelmas daisies. Life is quieter after the roses, but the conventional wisdom is that borders look better with every hotter colouring as the year advances. Perhaps they do, but I continue to like the contrast between strong yellows, reds and pure whites.

Much the best value in late summer are the forms of daisy-flowered Helenium, which flower twice if you deadhead them. Varieties have multiplied, as you can discover from the good catalogue of Four Seasons, Forecett St Mary, Norwich, but I remain loyal to the widespread Moseheim Beauty. It loves my dry, rather poor soil and covers itself with two or three flushes of wonderfully rich deep red-brown flowers. It looks brilliant beside a late white, perhaps the less rampant form of the florist's popular Achillea. Perry's White is the one to huy, a hard white which grows anywhere and can be controlled easily by digging off runners with a spade.

An alternative would be the August mainstays, the tall, white Anemone Japonica forms. Everybody comments on their avuncular willingness to grow in shade, but we find that they will also spread in full sun in dry, light conditions.

Skyblue and clear-golden yellow are another pair which light up life. The yellows are easily found in the



Strong and contrasting: the famous White Admiral of the Phloxes is ever faithful in late summer

A-Z Botanical Collection

family Helianthus, of which Lemon Queen is the most vigorous and most pale and Capenoch Star the richest of the shades available. By accident, mine go well with a rather neglected call Herbacous clematis called Weymou, it makes quite a tough central stock and sends emphatic green leaves before the stems of scented blue flowers appear in August.

It needs a year or two to settle in, but I find it very easy and obliging and relish the scent in late summer. If you want to block out a gap up to a height of 8ft, a group of this strong clematis is an excellent possibility. When frosts come, it dies away at once, to a miserable black, refusing those who believe that borders should be left

untidied until February so as to profit from the ghostly beauty of death and the softening outlines of frost. Weymou looks hideous from late November onwards.

Of course, late summer is already focused on Phloxes. This year is the first one in five which has given them a fair chance by producing the rain which they love during their main growing season. Again, the famous white variety, White Admiral, is outstandingly strong and a wonderful contrast for the emerging strong colours of August. It never lets me down and I wish that breeders would make more use of it in their continuing attempts to improve and

alter the colours elsewhere in the family.

It looks excellent beside the taller forms of Crocosmia, especially the deep red Lucifer. All the colours among Crocosmias are enchanting and we are still coming to terms with the possible hardness of the more exotic forms on offer.

Meanwhile, I still give ample space to the tall, old dark red variety which most nurseries call Curious Fasciatus. Some of the experts rank it with Crocosmia, but such expertise is slow to spread and it would be a pity to miss this admirable plant for the back row of most borders. Its sheaves of long, green leaves are impressive and never hide the dark red flowers on their wiry stems. I notice

how this old form lasts longer in flower than some of the more brilliant modern developments.

I emphasise these varieties for keeping the border going because it is silly to spend such effort on weeding, edging and feeding early in the year, only to find that the garden is more or less over when the old roses have gone brown and people are thinking about summer holidays. None of these possibilities is difficult, but some are still neglected or forgotten in the rush to buy half-hardy filling for pots and empty beds.

Cut back the earlier layers and be sure you have planted for the 3½ months of aridity which are far from a postscript to the season.

Fishing

Unseen, save for the angels

Hugh Dickinson dreams of jewels in bleak waters

The two lochs below the lodge were famous in those days for their sea trout. Stuffed specimens of over 9lb lay lugubriously in glass cases in the gun room. While the rest of the party went off to shoot grouse, I flogged those famous waters for four days accompanied by Mr Mackay at the oars looking and sounding more lugubrious than any fish. We caught nothing and I saw nothing except a Great Northern Diver.

On the fifth day the guns planned to go up to the mountain tops to shoot ptarmigan.

Looking at the map I saw a strange Y-shaped loch tucked right up in the heights between two peaks. No one had fished it in living memory but there was a rumour that it had been stocked with char. I said I would give it a try, to the amusement of my host.

We climbed for over two hours up incredibly steep tracks, plagued by midges until the sun broke through and the panorama of mountains, lochs, the coast and distant islands lay burnished far below us. I diverted from the party along a path which sidled along the mountain, round a shoulder to find the hidden loch. At the farther end, where the water edged into the mountain side, there was a 300ft cliff. I watched a peregrine slip away from some hidden eyrie.

The loch was unlike any other I had fished. It was far above the peat line so the water was as clear and still as glass and the strangest ice blue colour. Finding a small rocky promontory over a deep inlet I started to fish, knowing that I would catch nothing, but happy to be alone in such an awesome place.

Suddenly I felt cold. Looking round I saw the

mist rolling down the hillside like a giant duvet. In three minutes the sun was gone and I was chilled to the bone. Then by some strange acoustic effect of the cloud and the cliff the voices of my companions were all about me. They were at least two miles away but I could hear every word they said as if they were no more than 50 yards off in the fog. When they fired, their gunshots were like naval cannonades and I ducked instinctively.

I was so startled that I had entirely forgotten my fly far out on the loch. As I reeled it in a fish took it, and three minutes later I found myself gazing at a creature so incredibly beautiful that I could hardly believe my eyes. In that austere landscape of khaki and grey this jewel was a miracle. It was brilliant blue and orange with a crimson streak and hints of emerald and gold. I've had the same sensation of revelation on finding a gentian below the snowline.

On my way back down the mountain I found a small lochan with a single water lily pad in the middle. I cast a fly to land beside it. There was a huge splash and a beautiful brown trout came to the net, shortly followed by his brother, both one ounce under 2lb - positive monsters for those hill lochs. My companions were suitably impressed and grateful at supper. I didn't tell them about the char.

Lying awake on winter nights in the south of England I sometimes think of those swimming jewels in their bleak northern waters, unknown, unseen except perhaps by the angels. And I smile in the dark.

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PROPERTY

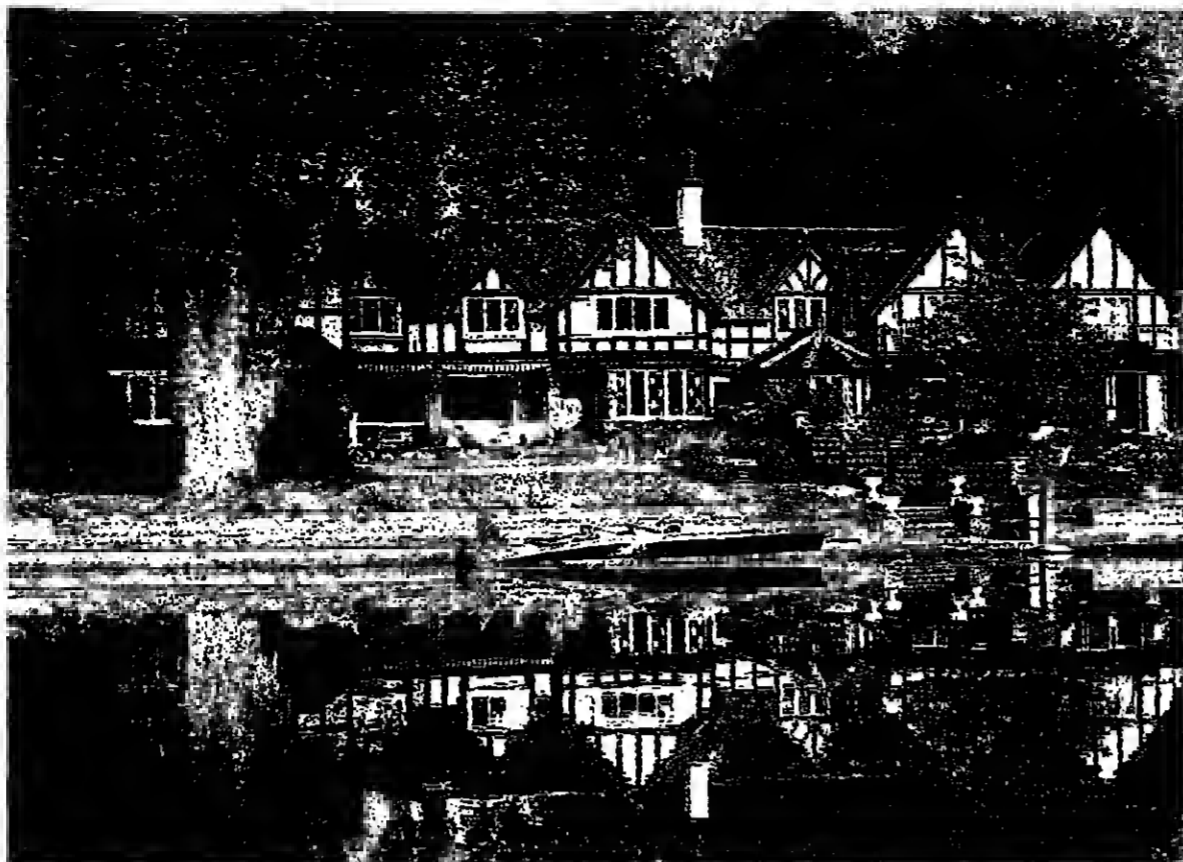
As Old Father Thames progresses through southern England with the lazy loops of a large snake, there is always a surprise round the corner. The ever-changing scenery and river life are pure delight. I returned to the Thames at Staines to catch a Salter's boat to Windsor, waiting with some senior citizens and a French family. It was 45 minutes late. It seemed the skipper had not bothered to leave Windsor punctually. But the river soon soothed my irritation, as Mary Stuart chugged up stream, oblivious of the aircraft from Heathrow.

As we passed under the M25, how restful it was on the water. Here was another life. Plenty would agree. On the tidal stretch from Teddington to the North Sea, the river is full of white plastic cruises crewed by couples in their 50s or 60s, the man usually topless. Such machines ought to be out at sea. Here they look too big and powerful, but the canal boats - bright with brass, paint and flowers - suit the scale of the river, and occasional steam launches are a nostalgic treat.

The locks mark the stages of the voyage, emphasising how pointless it is to fret about time. The boats wait their turn. The water wells up when the lock keeper opens the sluice - electrically. One rises to find a new river, and glorious lock gardens of sweet peas, roses and Lobelia. Signs on the keeper's cottages record peak floods.

After the M25, we passed the flat meadows of Runnymede, home of liberty where King John signed the Magna Carta, gently brushing the ducks from our way. At Old Windsor Lock we entered a narrow channel - or cut - to reach an expanse of placid water beside the royal estates at Windsor. This year the Queen is growing sweet corn. On the hill above is her fairytale castle, to the right, elegant Eton chapel.

After lunch we left Windsor for Marlow on Salter's Mapledurham, again late. But cheering sights started at once. Windsor racecourse has a landing stage for punters coming by water, and the river is full of swans and ugly duckling cygnets.



The Minstrel at Bray: the middle section has a 75ft Thames river frontage

On the Thames

A slow boat away from the fast track

Gerald Cadogan finds there is no messing about on this river

Past Boveney lock is green, wooded country. On the Thames, slow movement becomes an end in itself. From time to time we passed marinas, hotels and expensive riverbank houses, often in a semi-Swiss, half-timbered style marking the Edwardian expansion of Thames leisure.

Our next landmark was the solid tower of Bray church. Nearby are Michel Roux's Waterside Inn and grand villas - Tudoresque, Spanish hacienda or Scandinavian functional - for people who can afford to eat at the local. After Maidenhead, wooded hills rose to our right, while to our left

were turn-of-the-century piles of red brick and green copper domes. Suddenly the pile to beat them all - Sir Charles Barry's Italianate Cliveden - appeared high on the hills through a clearing in the trees. I imagined its spectacular views down to the valley as we passed river cottages on the estate and its Victorian boat house, and looked up to a belvedere that could have been in Rome.

In the water meadows in the evening sun Cookham lock was a dreamy surprise, quiet, surrounded by trees and away from houses. We ambled on to the pretty village of Cookham, famous for artist Stanley Spencer, and

Bourne End (convenient for the M40). The river then makes a large bend in the flood plain. A flock of geese rushed off the meadow into the water. On the bank stood a heron considering its supper, beside a No Fishing notice.

The premium for a prime property fronting on to the river, with a mooring, has risen to 50 per cent from 33 per cent two years ago, says Martin Chester of Hamptons (01835-485234). Houses for sale are few.

At Bray, he offers a house on the backwater behind Monkey Island for over £500,000, and the middle part of a mansion called The Min-

strel with a 75ft frontage on the main river for £550,000.

At Cookham, a whole mansion with frontage and two acres costs £995,000 or pay £35,000 for a 37ft mooring, both through Andrew Milson (01628-522686) - or £160,000 for a mooring plus a houseboat and two garages at Bourne End (Hamptons). Flats in a new development there run from £210,000 for two bedrooms to £415,000 for a three-bedroom duplex (Milson). Near Marlow John D Wood (01865-311522) is selling an Edwardian house in the woods on the slopes above the river for £550,000. Buyers will still have to find their mooring.

On the Move Just the job for the Gondoliers

Gerald Cadogan goes all Gilbert and Sullivan

Downriver from Staines, a 1.5 acre island in the Thames is for sale at Weybridge in Surrey. D'Oyly Carte Island belonged to Sir Richard D'Oyly Carte of the Savoy hotel and the Savoy opera company - famous for Gilbert and Sullivan, who rehearsed here. The island's large house needs restoration. Access is by a footbridge or by boat - a gondola maybe? Price from Curdods (01872-482000) or Harrods Estates (0171-225 6506) is £2m.



A jaunty seaside feel: St Ann's Court in Chertsey built in 1937

Bold brief

A few miles away, another distinguished Surrey house is for sale. The modernist architect Sir Raymond McGrath designed St Ann's Court near Chertsey in 1936 for landscape architect Christopher Tunnard. His brief was to integrate a bold new house with the old formal garden Tunnard was reviving on the site.

The result is striking. The house is a low cylinder or drum, like Castel Sant'Angelo in Rome, in white painted concrete and metal-framed glass - which give a jaunty, seaside feel with masses of light and fresh air. It sits on high ground in eight acres, which include an 18th century coach house and temple, a 200-year-old wisteria outside the window, and a modernist swimming pool that needs work.

This unusual building, listed grade II, close to the M25/M3 interchange, and its old surrounds are on offer for £1.25m from Knight Frank (0171-629 8171) or Savills (0171-499 8644).

Wright on

Still in Surrey: Frank Lloyd Wright did not come



The Old School at Church Freen: a bargain by Norman Shaw

over from the US to design Betterworlds at Camberley, but it is so closely modelled on his work that it is a top-notch pastiche. Reminding me of a Wright house in Cincinnati, Ohio, it shows his typical features - low projecting roofs, clerestory windows, rooms merging into each other, a geometry of emphatic horizontal terraces contrasting with the vertical bulk of the chimney, and a minute concern for the detail of good craftsmanship. But it was not built until the early 1980s.

It has five bedrooms and a swimming pool and, in a true Wright way, sits in a wood - as does the house in Ohio. The price from McCarthy Holden (01276-681186) is £460,000.

Little gem

For a bargain in buying a house by a name architect one must go to Shropshire. In 1872, Norman Shaw designed The Old School at Church Freen (near Church Stratton) at the foot of Wenlock Edge. His use of stone, half-timbering and tiles results in a little gem of Victorian England. And its price, now listed grade II*, is a mouth-watering £149,950 from Christopher Morris (01743-241615).

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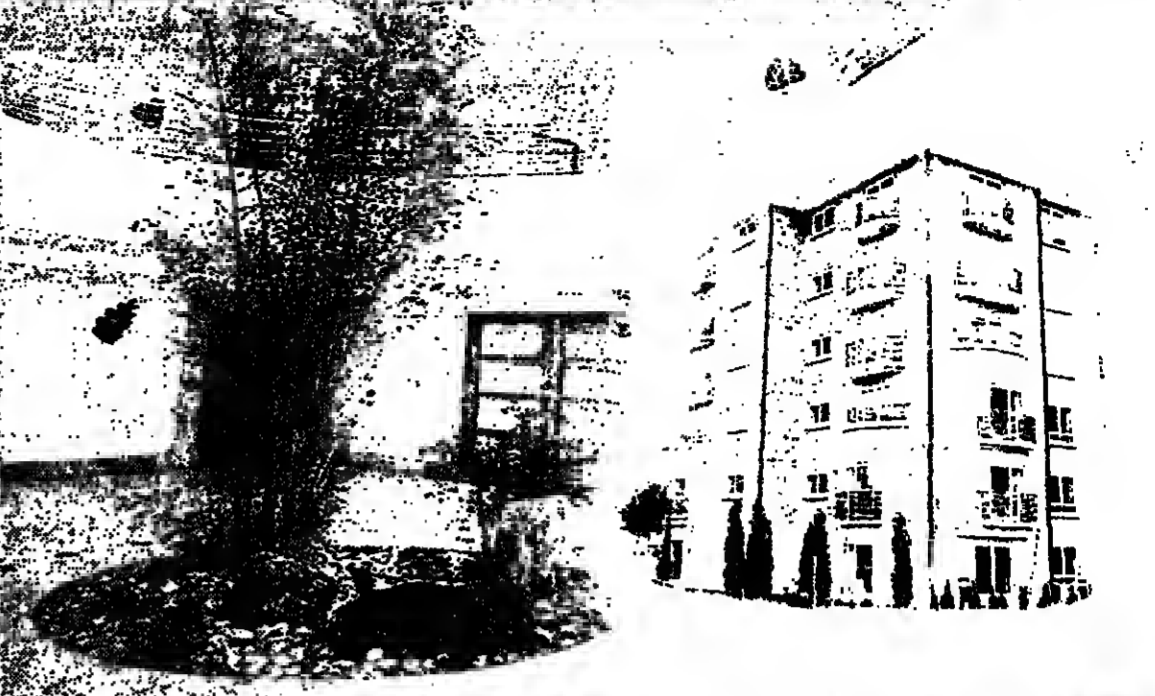
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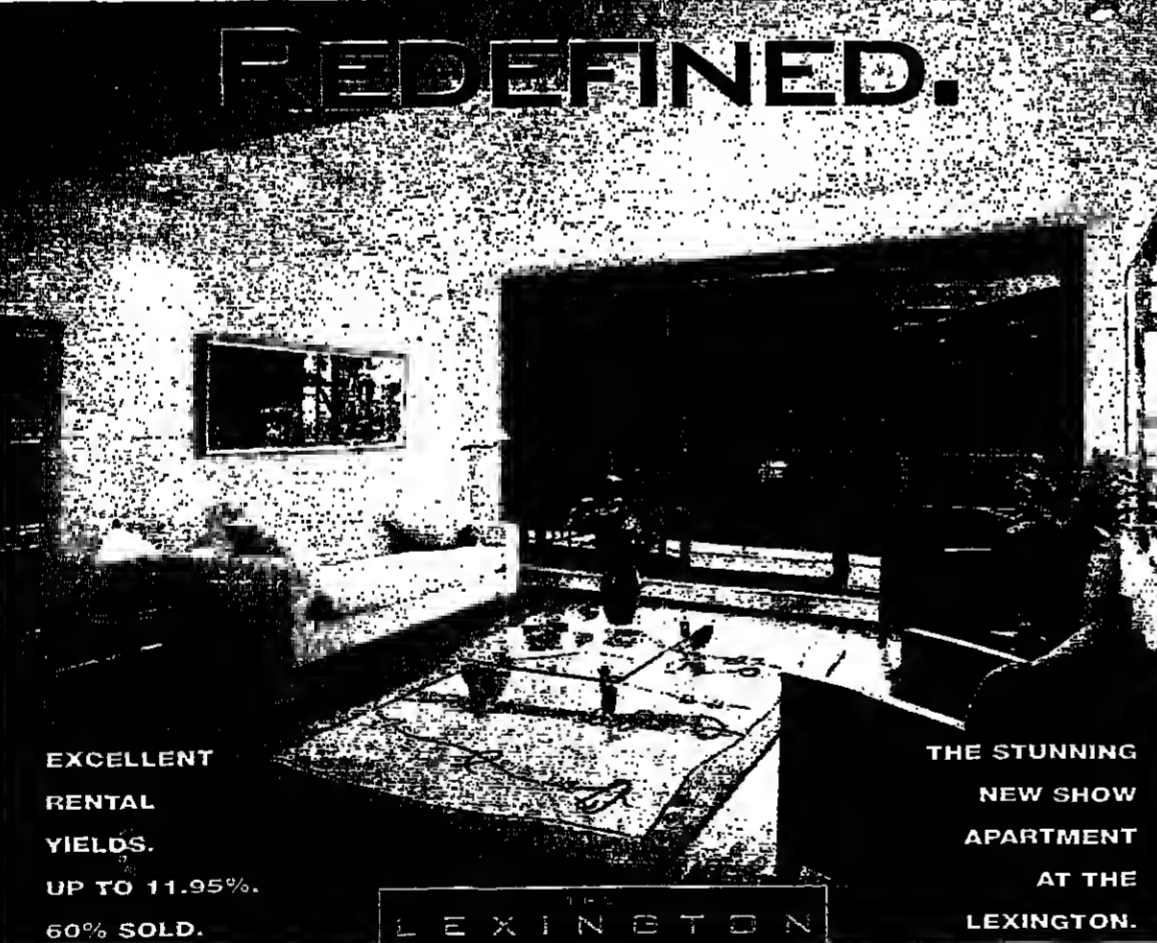
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TRAVEL IN THE US

Miami's South Beach

Art Deco fights vice in Miami

John Westbrooke tells how an out-of-date style played its part in saving a neighbourhood

The vibrant Art Deco buildings of Miami's South Beach bring back a vanished era: the 1930s. In fact, they were mostly built in the 1930s. The city was already a magnet for tourists, warm and sunny in winter while northerners shivered, but it was devastated by a hurricane in 1926; its visitors were devastated just as much by the Depression. But as Miami revived, the houses and hotels by the beach were rebuilt, in the style current at the time.

A few, from the 1940s, are of imposing size, such as the Delano and National hotels on Collins Avenue. But most are low-rise, coherent streetscapes with delightful detailing.

A more typical row of hotels - the Kent, Palmer House and Tudor, all designed by L. Murray Dixon - is only three storeys high, but each has a different colour scheme and a different small tower spelling out its name vertically. The colouring is most striking on Ocean Drive, looking out across the beach itself to the Atlantic in the morning light - dazzling stripes of yellow against white on the Leslie, cooler cream, grey-blue and orange at the Cavalier, Ilac and white for the curving facade of the Cardozo.

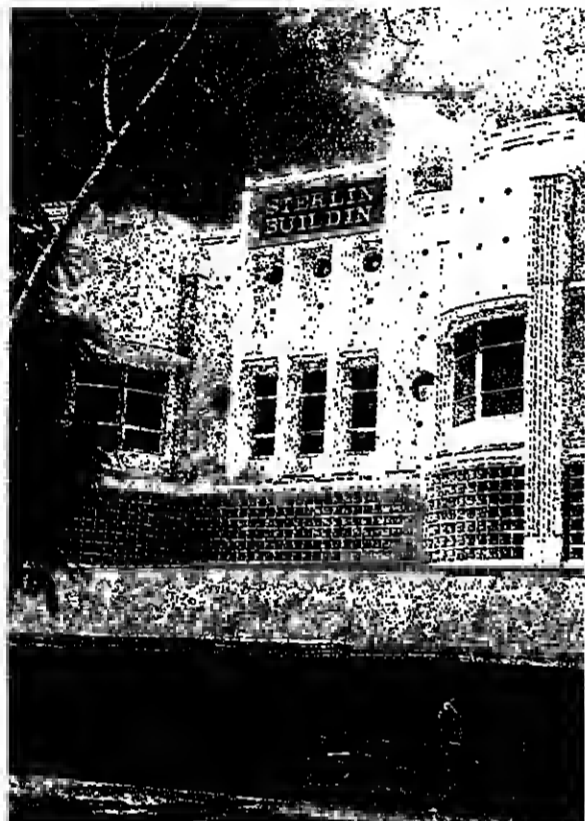
It was not always like this. Art Deco was the name given to a style developed in northern Europe and adapted to edifices such as the Empire State building in New York. The Miami style was called 'moderne', or streamlined, or (because of an occasional resemblance to seagoing liners) nautical moderne. And it was mostly painted white - picked out with just a touch of pastel.

It was not until 20 years ago, as some of the buildings were being renovated or pulled down, that Miami's realised what treasures they had. Appreciation societies and pressure groups formed to preserve what was left. They have by any standards been successful, saving not just buildings from the wrecker's ball but whole neighbourhoods from crime and dereliction. (The recent murder of fashion designer Gianni Versace horrified locals, not just because he was one of South Beach's new glitterati but because it brought unwanted reminders of the area's past - run-down, drug-ridden and violent.)

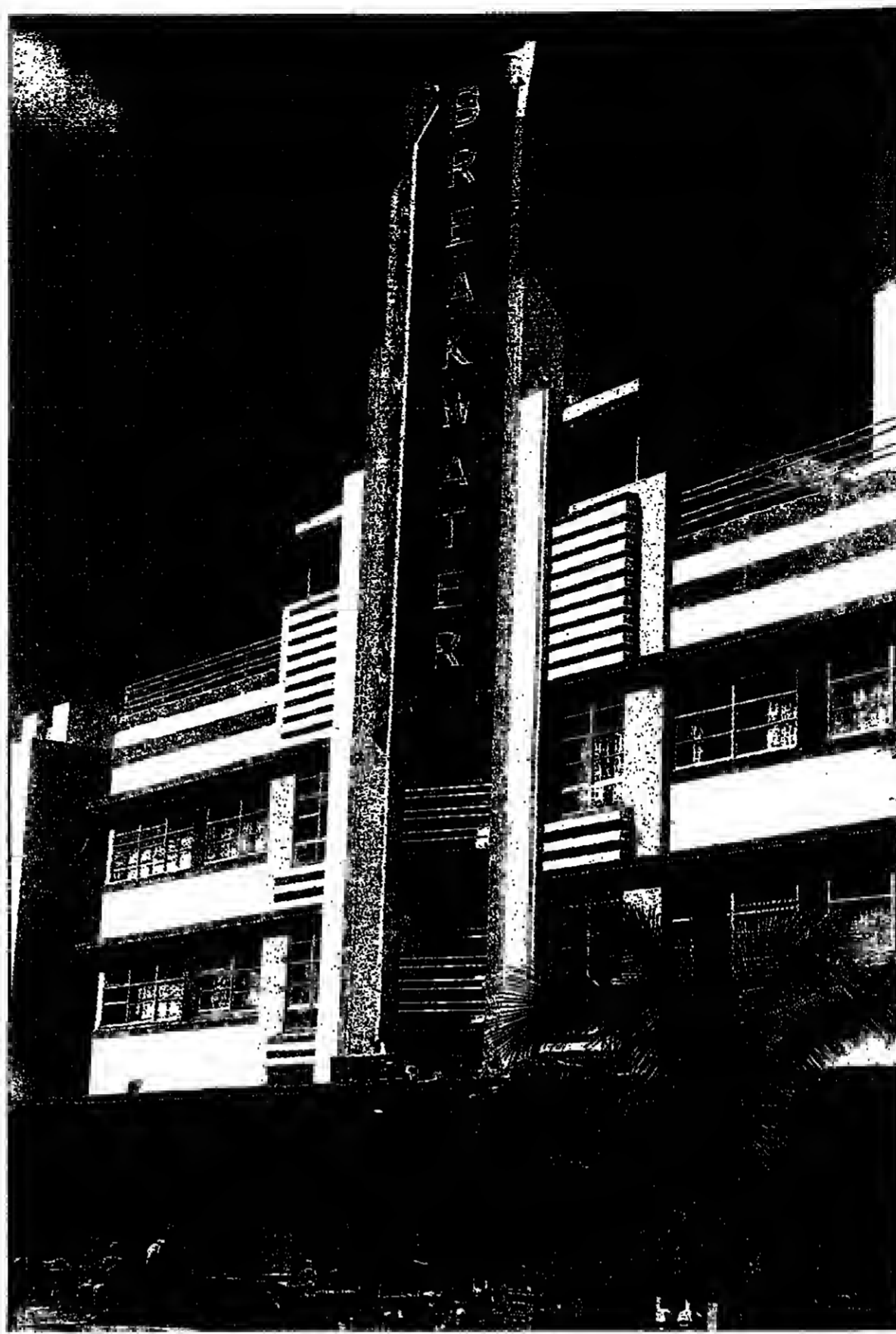
What has been preserved is a square mile, 120 blocks, containing 800 Art Deco buildings big and small. South Miami Beach itself has changed from a decrepit suburb into the trendiest place in town. There are places here it would not be safe to enter without a poodle and a tan.

I went on a walking tour (Saturdays at 10.30am, from 1001 Ocean Drive), but I could have gone on an in-line skating tour, because this is Rollerblade heaven. Guided youth glide by, abs and pecs and tattoos gleaming in the sun. So do little old ladies, grandchildren in tow. Florida is flat, and made for blades.

Not that there are as many elderly as before. Florida used to be a state of retire-



The Sterling Building: bringing back a vanished era



Breakwater Hotel on Ocean Drive: South Miami Beach has become the trendiest place in town

Photographs by John Westbrooke

ilar tastes, budgets and motives.

In short, for all the publicity, South Beach does not look like the 1930s, it looks like the way people in the 1980s thought Art Deco ought to look. Buildings must be painted every seven years, so some of them have moved into the 1990s. One corner club building, mauve and brown in 10-year-old guidebooks, is now stark black and white.

Does it matter? Not really. This is the 1990s, and Americans value the freedom to enjoy their property as they please.

Best just to watch the modern Miami's swooping past, knee guards and bare midriffs and hair sailing in the wind, and admire the way their city blends past into present without destroying it.

On the hotel front, the newest to open is, like most of the rest, an oldie: the Tides, a 10-storey white building looking from the

There are places here it would not be safe to enter without a poodle and a tan

outside like a mini-Manhattan skyscraper.

Built in 1936, it had been used to house troops during the second world war and for nothing much since.

Island Outposts, the hotel operator which runs individualistic properties around the Caribbean - including five others on Miami Beach - has spruced it up and reduced it from 115 rooms to 45, each running the depth of the building and thus commanding a sea view. (For serious beach watchers, each one also has a telescope.)

As usual, every effort has been made to restore the Art Deco feel of the public rooms, the group says. Rates start at \$150 a night.

John Westbrooke was a guest of Laker Airways (01293-789000), which flies daily between London and Miami; return fares from £255. Premier Business fares £1,450. Deco Delights by Barron Haer Corporation (E.P. Dutton, \$19.95) is a good photographic record of the 1930s colours.

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Blowing in the Windy City

Antony Thorncroft has to shed some preconceived notions

Think of Chicago and you conjure the Valentine's Day Massacre, "windy" city politicians and pork belly futures. Wrong, very wrong, if you are talking with the starry-eyed employees of the Chicago Tourist Board. To them, it is "Chicago, City of Culture". Chicago has two overwhelming reasons to direct itself towards the tourists' dollar: its traditional industries - processing pigs, strengthening steel, rerouting railroads - have long been in decline. In addition, its main airport, O'Hare, is the busiest in the world, so if only more of the passengers passing through would take the time to stop over in Chicago.

Fortunately this is starting to happen, and with good reason. Chicago, as Frank Sinatra so neatly put it, "is my kinda town". Perhaps there is a chip on the shoulders of its inhabitants if you mention New York, but the consensus is that Chicago is a big city with a small-town friendliness. As they say "It's hard to get anyone to move from New York to Chicago. It is impossible to get them to move back."

Chicago is full of surprises. It is remarkably clean, with a good public transport system and a desire to integrate its disparate neighbourhoods; above all, it stretches for miles along Lake Michigan, offering beaches, which on a summer's day remind you of Cannes, plus a coastal park, which holds the teeny city at bay.

Some of its illusions are delusions - there are still vast tracts to the south and west which any sensible tourist avoids because of racial tension - but there is a certain innocence about a city which ensures that if you look for the best there you will find it.



It also has a vibrant Downtown in the Loop, around which the El railway deposits commuters (and tourists from the airport in the cheapest and quickest way), and which is a walking museum of the architecture of the skyscraper. A guided two-hour tour, on foot, is essential, tracing the development of modern architecture from the 1870s, when the city was rebuilt in concrete and steel after a devastating fire, to the overpowering influence of the Prince of Wales's bete noire, Mies van der Rohe, who taught in the city and left it many of his puritanical monoliths.

Chicago also offers some of the best cityscapes in the world from the viewing platforms atop its tallest buildings, including the 110-storey Sears Tower, now resigned to being the second highest building in the world.

If your appetite for modern urban architecture has been whetted, you can take in the best of the suburban in a 20-minute taxi ride through the detritus of the contemporary city to Oak Park, where Frank Lloyd Wright lived and worked. Here all is tree-lined, neighbourly and safe. The architect's own home has been beautifully restored as a monument to modernism,

not a wasted metre, not an obtrusive colour, all rational, functional and calm.

Oak Park is a world away from State Street, "that great street", the old artery of Chicago. After years of decline as a dull pedestrian mall it has been transformed into a vibrant highway. The greater shopping experience, however, is still the Magnificent Mile, Michigan Avenue, which stretches north from the oddly turquoise Chicago River, and the eclectic Wrigley Building, modelled on the Giralda Tower in Seville, up to the lake, with an array of shops and malls that equal New York or London in variety, but with more modest Midwest prices.

The Chicago Tourist Board regards shopping as a natural adjunct to culture. Its broad-minded approach also embraces baseball and the blues, both of which lie deeply embedded in Chicago history. A visit to the Chicago Cubs is warmly recommended. They are the Fulham soccer club of American baseball, perpetual, but good-hearted, losers. Their fans come because the ivy-clad ground, Wrigley Field, dates from 1914 and is virtually untouched in appearance and atmosphere.

With their french fries and beer, they relish the chance to indulge in old-time, small-town American values. Only here, in the middle of the seventh inning, do you get the chance to sing "Take me down to the ball game". It beats any soccer chant.

Enjoying the Chicago blues is a more raunchy experience. However, Buddy Guy's club on South Wabash Avenue is safe and friendly, with soul food and margaritas, and Buddy is usually persuaded to join in the Saturday night jam. Chicago likes the peripheral arts - comedy clubs, fringe theatre and contemporary dance - rather than big

musicals and ballet. But it does have its weightier cultural institutions, including the Chicago Symphony, which it claims, with some truth, to be the world's greatest orchestra, and the Chicago Institute of Art.

The institute is reason enough to go to Chicago (and when it has one of its major shows, such as the Renoir scheduled for later this year, hundreds of thousands of art lovers will make it the excuse). Along with a comprehensive world scope of the decorative arts, Chicago equals any national gallery in its paintings, which include masterworks such as Seurat's "La Grande Gatte" and Caillebotte's "Paris Street: rainy day".

And then there is Edward Hopper's "Nighthawks", the finest example of modern American alienation. Although this painting was inspired by a New York bar, the 1940s image of urban life could easily be sited in Chicago, which is, above all, a city of local drinking holes, corner delicatessens and neighbourhoods.

Take the bus up Michigan Avenue, wave to the rich in their Gold Coast apartments; shop in chic Oak Street; stroll through the lakeside park and wriggle your toes in the sand; but end up in a district like Old Town, or Lincoln Park, or Wrigleyville. Here is American living in all its variety and vivacity - where streets on-the-up, meet streets going every which way. That's Chicago - battered by fire, mobsters and the Depression, but constantly rising again to proclaim and live the American Dream.

Chicago makes an ideal destination for a long weekend from London. American Airlines offers a three-day, two-night package, hotel included, from £405 in November to £509 in July. Extra nights can be added.

TRAVEL

Contentment by way of containment

Ron Crittall on the 'time to stand and stare at the sea' joys of round-the-world freighter travel

Travelling by container ship is for the elderly, the idle... or both. It is certainly for those with the time, the inclination and the ability to stand and stare because much of the time, you have only the sea to stare at. If you're still with me, read on...

The next brutal fact is that it's not cheap. It will cost \$5,000 or more to go round the world. For this, you are accommodated in spacious comfort with private facilities, and fed well for three months. There is little or no entertainment.

But the magic of such a voyage is that you feel you are a real traveller. You will be aware of following in the wake of real explorers who first trod or sailed the surface of the globe. It is a far cry from modern equivalents which merely enter, pass through, and leave anonymous airspace (enduring conditions, deprivation and discomfort that most of us would not inflict on pets).

Yes, you've guessed it - I hate airports, aircraft cabins, and my fellow human beings when presented en masse and in dense confined proximity. Particularly when, like me, they're bored. So, I love the container ship. There I have only my fellow passengers - always less than 12. The officers - maybe 10. And the crew - usually invisible. And we have space to move.

And then there is the sea. Wonderful, ever-changing, endless. You are reminded that three-fifths of the world's surface is water, and feel so much a part of it that you begin to believe that your primeval ancestors had their

home there. You do see land, of course. You probably have a dozen stops on your round-the-world voyage and you'll spend a couple of days in each place. You will also sail close to, and probably see, a further dozen countries and innumerable islands.

If you are blessed with good mental vision, you can always see in your mind just where you are on the globe, and become enthralled by the imperceptible progress across its oceans.

You will be part of another world - of seafarers, charts, logs, weather reports, radar and radio. You will have the

You will be in another world - of seafarers, charts, logs, weather reports and radar

freedom of the bridge, see its daily routines, and experience its high spots - hear the magic words "Pilot Aboard" that herald your imminent arrival at yet another big port.

There is the awe-inspiring moment when the ship passes into his hands, and this massive steel giant leaves its natural habitat and is led to be tethered docilely beside a suddenly alien land. Then the invasion by the huge grabbing claws of giant cranes, controlled by ant-like human beings, caged high above the dock, is like a surreal ballet. You

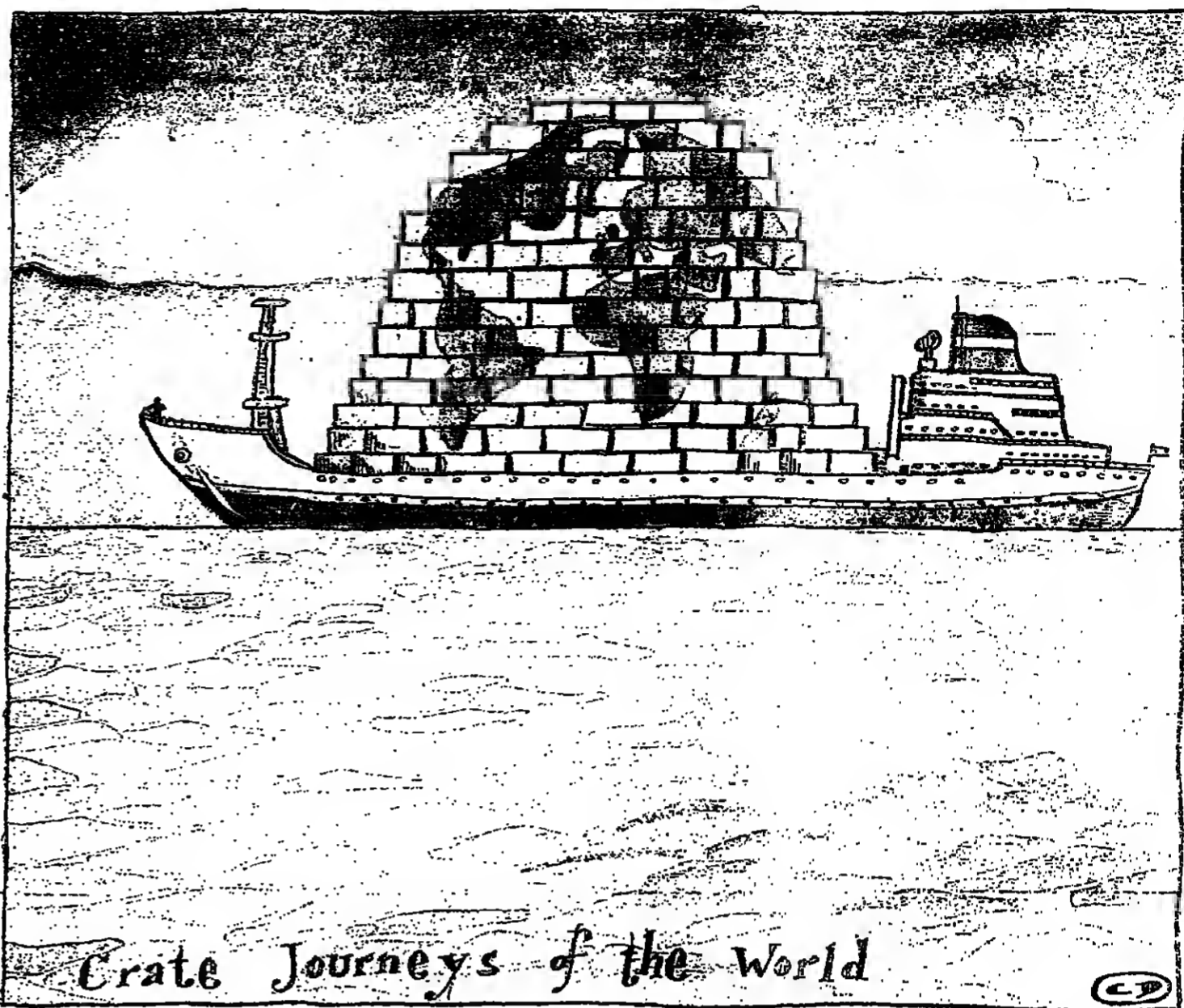
are almost loath to leave it and make your way through the docks to the nearly forgotten world of streets, buildings, wheeled vehicles - and seething masses of people again. You find you take time to adjust.

Back at sea, spectacle is never far away. Dawna, Sonnets. The totally unobstructed sky - star-filled at night, as you've never seen it before, and by day, the ever changing "read-your-own-weather" cloud formations. Or the outer-space feeling of a totally blue sky.

"But what do you do all day?" is the cry I hear. This does need thought and planning. We are so used to being busy, or being entertained, or both. Women fare best, I think. Needlework, letter-writing, solitaire, Scrabble, jigsaws, sketching, painting - we have generations of lore in such activities behind us. Modern inventions such as the Walkman for music, the video films for instant distraction, also have their place. And there is a library, a swimming pool and a gymnasium.

I found reading was only really possible after dark in the seclusion of my cabin - and even then I was prone to lay aside my book and wander up to the bridge to see what was happening or to chat to the officer on watch. But then I'm naturally a gazer, and where there's movement I'll watch it.

I was on a ship with only one other passenger, so chatting, while frequent and often fascinating, was less a part of the voyage than it might have been with more fellow travellers. My dream would have been to have had three other bridge players on board, but then perhaps I'd



have missed other things.

In my mind, I entitled this article, "First Catch Your Boat", and I have left this thought to last. The head office of my shipping line is said, by the seafarers who actually sail the vessels, to be completely divorced from reality (we all say that about our head offices don't we?). The result is that arrival dates - anywhere - are extremely "fuzzy". I was weeks out in my planning because I tried to make my attendant arrangements a not-unreasonable-it-seemed-to-me period of several months before.

Ideally you should live in your port of embarkation and do your packing when you actually see the ship on the horizon. And your friends on the other side of the world should expect you when they see you.

Which, I suppose, is why the average age of container boat travellers is 65 plus. We are the ones with the time to enjoy this magic little-known form of travel.

Practicalities A passenger-carrying freighter (many are container ships these days) is a vessel principally engaged in

transporting goods which is licensed to carry a maximum of 12 passengers. One factor is that ships carrying more than 12 passengers are required to have a doctor on board.

It is important to appreciate that the freight takes priority, and schedules and itineraries are liable to change. Ports may be added to or deleted from the run, depending on cargo constraints, port congestion, or weather. You need to study the terms and conditions of travel, to ensure you understand what may happen and how you may be affected.

Comprehensive travel insurance is essential, to cover you for cancellation and other extra costs, or medical problems. Most lines have no age limits, but may demand a doctor's certificate to warrant your ability to handle the trip.

Most travel agents should be able to provide information on freighter lines that offer passenger accommodation, though there are some that specialise in this. It may be worthwhile finding one.

Because space is limited, and this type of travel is becoming more popular, you

often have to book months ahead. There are several lines operating round-the-world services out of Europe, via both east and west, calling at North American, Asian and Australian ports.

An excellent overview of freighter travel, the shipping lines involved and the routes, is provided by *Ford's Freight Travel Guide and Waterways of the World*. Your local library may have a copy, or you can order the latest edition, updated "semi-annually", from Ford's Travel Guides, 19,418 Londell Street, Northridge CA 91324, US: \$19.95.

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TRAVEL

Spires and Spirits

Jewel in Derby's crown

Unlike the Young Pretender, Adrian Gardiner enjoyed this Rolls-Royce town

Under the medieval stone tower, the interior of All Saints comes as a surprise. The vaulted ceiling is painted pastel purple and a black and gold wrought-iron screen divides nave from chancel. It is so bright and ornate that many visitors believe they have entered a Catholic church. With Saxon origins, the present building dates from 1510 (tower), 1725 (nave) and 1872 (retrochoir and sacristy). Also in 1872, two stained glass windows were installed: a cheerful panel representing the lightness of the spirit and a darker counterpart reflecting the murky depths of the soul.

The cathedral's most infamous resident is Elizabeth of Shrewsbury, better known as Bess of Hardwick or "Building Bess". Her effigy lies in the Cavendish area with part of a foot exposed - indicating the tomb was constructed before its occupant's demise. Bess, responsible for Chatsworth House and Hardwick Hall, survived four husbands.

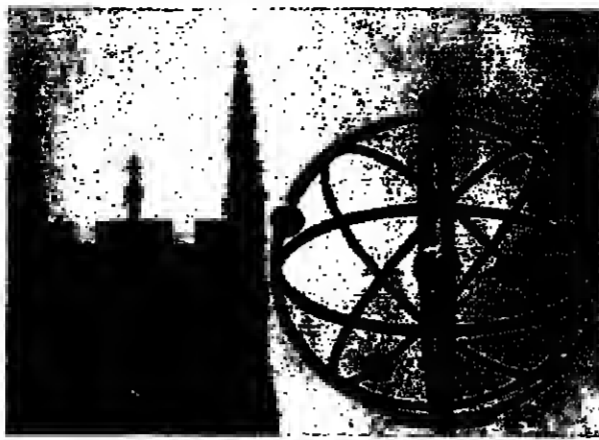
She lived to a great age and, as a biographer put it: "Was continually flattered but seldom deceived, and died in 1607, immensely

rich and without a friend." By the north wall of the nave is literally the Rolls-Royce of fonts - crafted by apprentices of the firm that made Derby its headquarters.

The tower repays exploration. Here is the oldest ring of 10 bells in Britain. The largest weighs a ton and was cast in the 15th century. Legend holds that the drive shafts of the clock were made from gun barrels left by the Jacobites in 1745.

Bonnie Prince Charlie's 9,000-strong tartan army arrived on December 4. The Young Pretender made his HQ in Exeter House (now demolished) until, two days later, inaccurate military intelligence prompted the Jacobites to abandon their march on London. Instead, they began the long and weary retreat to Culloden.

The Museum and Art Gallery remembers Derby's famous visitor with a Bonnie Prince Charlie room. Accounts of his army's conduct vary. A proclamation on display - *A Brief, General and Authentic Account of the Conduct and Proceedings of the Rebels* - tells us "from shops they stole things. It was common to stop people and demand the shoes from off their feet."



Soul searching: the cathedral tower and ornery outside

Until September 28, the art gallery is hosting an exhibition of paintings and drawings by Joseph Wright. A much-underrated artist, Wright of Derby (1734-97) was the English master of chiaroscuro, the light and shade technique developed by Da Vinci and Caravaggio. He was a painter in tune with his times. Sombre landscapes portray 18th century England but best known is *A Philosopher Lecturing on the Orrery*. His ambition to thrive as a portrait painter in Bath was unfulfilled and he returned to Derby after two years. "Perhaps we Midlanders can cope with him painting our double chins,"

says an exhibition curator. Wright was educated at Derby's grammar school, now the Heritage Centre. Other illustrious pupils were Flamsteed, the first Astronomer Royal, and the Rev John Cotton, a Pilgrim Father and founder of Boston, Massachusetts. George Fox, founder of the Quakers, spent a year in a Derby jail.

The Heritage Centre is haunted. During recent renovations, three skeletons were found in a priest's hole and poltergeist activity has since entertained staff. Richard Felix is Derby's spectre spotter. He takes small groups round, describes the activities of Derby's 150 ghosts and offers a prize for the Shriek of the Week. Viking Derby is under our feet," says Felix. "The battle of Derby, re-enacted every Saturday night in Irongate, took place in AD917." He tells the grisly story of the Fenrich Martyrs who, in 1817, began the last rebellion in Britain. Felix has plans for the now-disused Courthouse to stage a recreation of the trial of the Fenrich Three, and a Jacobean banquet. He is responsible, despite alleged official opposition, for the statue of the Young Pretender outside the Silk Mill.

Derby's industrial heritage should not be missed. The Silk Mill claims to have been Britain's first factory and holds the Industrial Museum in which Rolls-Royce has a leading stake.

Crown Derby China is also worth a visit. Royal Appointment status came from King George III and 13 barrels of Crown Derby china went down with the Titanic. Less famous factories restrict visitors but this tour is hands-on.

Derby Tourism, tel: 01332-255002. Best hotel: The Midland, tel: 01332-345894 (double B&B £75). Best restaurant: La Gondola, tel: 01332-332895. Ghost walks, tel: 01332-299321.



Derby cathedral: the stained glass windows were installed in 1872

Photographs by Adam Gardner

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TRAVEL

North Cyprus does not officially exist. In the world of *unrealpolitik*, the island of Cyprus is undivided and Greek, and wide open to tourism.

What happened in the real world was that after an abortive Greek coup in 1974, Turkish troops grabbed the north-eastern third to protect Turks there. This region proclaimed itself independent in 1983. But only Ankara recognises it, and it remains in the same sort of diplomatic limbo as Taiwan. Nicosia - renamed Lefkosa by the Greeks and Lefkosa by the Turks - is the world's last divided capital.

Talks about reunification of the island stutter along, and may be encouraged by Cyprus's plans to join the European Union; but intercommunal suspicions will linger.

Meanwhile, because visitors have to travel there via Turkey, few bother. This is good news for those who like the holiday destinations quiet and unspoilt - though less so for Turkish Cypriots who can see how much their southern neighbours make from tourism.

Go to the top of the Saray Hotel in Nicosia and you can look out over both halves of the city, and some of the buffer zone between them. The crowded skyline of the south contrasts with the more low-rise, laid-back north. Beyond the half-empty streets are open fields and the Kyrenia mountains, with a huge Turkish flag marked out on the side of one of them.

Visitors to the south may cross over to the north at one checkpoint, but not many do. "They tell everyone there that if they come to the north, the streets are full of soldiers and they'll probably get shot," one local grumbled. "It isn't like that."

Indeed not. There are a lot of conscripted teenage soldiers but they seem to spend most of their time around bank cash machines. Though there have been occasional intercommunal flare-ups, I felt no tension. Away from the Green Line, Nicosia is a typical near east city, hot and dusty. There are plenty of cars new Hondas and Mercedes rather than the antique Hillmans and Wolseleys the guide-



Military bargaining chip: behind a ghost town of abandoned hotels, boys play in the sea at Maras, in the middle of the Green Line

John Westbrooke

Divided - it stands still

It's official, northern Cyprus doesn't exist - but John Westbrooke found it easily enough

books promise, but they drive on the left, a few dodgy-looking nightclubs ("Our belly-dancer will give you the feel of the east"), E-R-R postboxes painted yellow, and old men playing backgammon in the shade.

Over the hills, intermittent beaches and small resorts line the north coast, taking in most of the 30,000 tourists a year (against more than 2m in the south) along with many British expatriates, and Asil Nodir of Polly Peck fame. Matland Turks, the biggest group of visitors, come for the casinos, which they may not visit at home.

Turkish Cypriots are not allowed in, except on Christmas and New Year's eves.

Frequent visitors say the hotels are increasing in number, and the only really unspoilt patch left is the Karpas, the peninsula in the east. But even Kyrenia, the main coastal town, remains pretty and uncrowded. Restaurants, converted from the caravans which were once its main industry, line the half-moon harbour, but customers are likely to be locals. Sitting by the water's edge, we dined at the Harhour Club on mezes and

Turkish wine, for £5 a head. Cyprus was not always this quiet. Its position in the eastern Mediterranean placed it at the crossroads of east and west, a focus for traders and soldiers. Inside the squat castle at one end of Kyrenia harbour is the oldest shipwreck ever

reclaimed from the sea, a 12m hull discovered offshore, in remarkable condition, 30 years ago.

It piled these seas in the time of Alexander the Great, around 300BC, carrying amphorae from Rhodes and Samos and millstones from Kos. Its crew of four - their

utensils were found, but not their bones: they must have escaped the wreck - seems to have lived on fish and almonds, 9,000 of which were still in jars.

A lot happened to Cyprus while the ship lay on the sea bed. In the east, near Famagusta (now Gazimagusa), the ruins of Salamis show the extent of Greek civilisation. Most of them remain buried, because there is little money for archaeology, but they seem to have covered two square miles.

After that came the Byzantines, one of whom unwisely captured Berengaria, Danette

of Richard Lionheart. Richard took the island and passed it on to the Lusignans, Frankish crusaders who created a glittering court. Their cathedrals survive in Nicosia and Famagusta, oddly Gothic in the southern sun, but their towers have been decapitated and topped with minarets.

The Venetians gave way to Ottomans, and then the British, whose dithering in the face of calls for union with Greece is recorded in Lawrence Durrell's *Bitter Lemons*. All these have left reminders, often on the same spot, as Roman stones have

been recycled into Frankish palaces and then into Venetian forts.

The most spectacular of these is St Hilarion, one of a series of crusader castles spaced along the most perpendicular mountaintops as lookouts. Only some walls, steep steps, spring flowers and stunning views remain, but enough to leave you in awe of the kings who not only climbed, but also built up here.

A few miles away is Bellapais, with the house (now much altered) where Durrell lived, the Tree of Ideology, which rendered people sit-

ting under it incapable of work, and the romantic ruins of a 13th century abbey amid a colourful flower garden - another Gothic survivor from a Christian age. Most North Cypriots are now Muslims, but lackadaisically women are more likely to be seen in bikinis than in headscarves.

Cyprus has more rain than you might expect: the mountains seem to accumulate enough moisture to fill the many swimming pools. But the hillsides above Kyrenia are bare: two years ago, a forest fire swept away 15 miles of trees. "I used to wake up and smell the pines," said a hotelier sadly. "But not now. I can still hear nightingales, though."

On the east coast, Famagusta sits within sight of Syria on a clear day. One of the towers of its Venetian castle was named "Othello's Tower" by the British, and Shakespeare's play, set here, is occasionally performed in the courtyard. The Ottomans had such difficulty capturing the town that they had the Venetian commander flayed and his skin stuffed with straw. Now, far removed from such drama, it is a unkradaiy port.

Just south, however, in the middle of the Green Line, lies the modern resort of Maras (Marash to the Greeks). Rows of hotels line the shore as far as the eye can see before vanishing into haze. All are empty. The whole area was deserted overnight in 1974 and has stayed that way, except for Turkish soldiers. The few outsiders who have got in tell of a Marie Celeste suburb of laundry on lines and halcyon meals on tables.

The military is said to be holding it as a bargaining chip in any negotiations on reunification, but this may be pointless: the buildings are crumbling and would need to be pulled down. In the meantime, Maras is scarcely mentioned in official North Cyprus literature - just a non-existent town in a non-existent country.

John Westbrooke was a guest of Cyprus Paradise, which offers packages from £315 a week. Two-centre holidays, shared with Istanbul, are available. Living is cheap, food is good, and - because of the lamentable state of the Turkish lira - sterling is widely accepted.

CYPRUS

Since 1992, each year we have sent many hundreds of travellers to Northern Cyprus. For a company such as ours, it is the most perfect place to offer our discerning clients, and when describing its attractions it is in fact easier to list what it does not have. You will not find Northern Cyprus in the large tour operator's brochures and consequently the number of visitors is relatively small and the tourism development limited.

For some the lack of development is a minus, whilst for others it will be the strongest reason for travelling there. In many ways the atmosphere is similar to that you would have experienced in Mediterranean resorts some 30 to 40 years ago before the advent of the package tour. It, like us, you are attracted by places which still have a natural charm, warm and friendly inhabitants, quiet beaches and ancient sites where you may be the only visitor, then Northern Cyprus might be the ideal place for you.

KYRENIA For All Seasons

the village where Lawrence Durrell wrote "Bitter Lemons". Afternoon free for relaxing or shopping. Day 3 Kyrenia to London (Heathrow). Morning departure to London, arriving at 11.30 daily after noon.

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Of course you will not find a string of deluxe resort hotels, smart shops and all that tourism developers feel are essential for today's traveller. What you will find is a number of small, owner-managed hotels scattered in and around Kyrenia and along the coast. For our part we believe the Onar Village to be the best. Located on a hillside about a mile outside of Kyrenia, there are lovely views over the town towards the sea and the hills. The property offers the choice of hotel rooms with private balconies or spacious villas which are scattered throughout the grounds. The villas each have a sitting room, dining area, kitchen, bathroom and bedroom as well as a large private patio. Facilities include a swimming pool, poolside bar, restaurant and library. With a total capacity of 70 or so guests, even when fully booked the Onar Village remains peaceful and unspoilt.

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WINTER TO TRAVEL

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In the hot summer months of June, July & August we offer 7 or 14 night stays at the Onar Village. These are essentially relax, read a book and potter round in a self drive car holiday.

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Day 3 St Hilarion/Nicosia. Drive to the 11th century St Hilarion Castle. The view of Kyrenia and the coastal plain is stunning from here. Continue to Lefkosa (Nicosia); walk around the city visiting the Genoa Gate, Venetian Column, the Buyuk Khan (a 16th century inn), the Selim Mosque (formerly St Sophia Cathedral) and a traditional Turkish house.

Day 4 Salamis/Famagusta. Morning drive to St Barnabas Monastery which contains a collection of icons. Then continue to the most important ancient site of Salamis, a former capital of Cyprus. After lunch enter the old walled city of Gazimagusa (Famagusta) visiting Lala Mustafa Pasha Mosque, the Othello Tower and ruins of the Venetian Palace.

Day 5 Soli & Ypsonas. Drive west to Guzelyurt (Morphou) surrounded by orange groves and market gardens. Visit the Museum and Monastery of St Maras. Continue to the 5th century BC Palace of Ypsonas; there are breathtaking views of the sea and the Troodos mountains. Descend to the ruins of Soli, a Hellenistic and Roman city, famous for its 17 tier stone seated theatre and mosaic floor in the 5th century Basilica.

Day 6 Paphos/Kanaria. Drive to Lakshia (Trikolono); visit Paphos (Trikolono) Church, (early 12th-15th century) and then climb to the Crusader Kanaria Castle, high on a ridge with dramatic views.

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SPORT

How did we ever overlook Donovan Bailey? If he were a smaller, less flamboyant character, without that large shiny, shaven head, then maybe we could claim that he had sneaked up and caught us unawares, rather like he does with his opponents in the latter stages of his 100-metre races. But he's not; so how is it that the most electrifying sprinter on the planet did not go into the 1996 World Championships, the 1996 Olympic Games, and the 1997 Million Dollar Challenge in Toronto against Michael Johnson as favourite? He certainly came out of all three with enough gold to outshine Johnson's sandy shoes.

With Carl Lewis retiring, with Sergei Bubka off form, with Johnson hiding his wounds after his first 400 metres defeat since 1989 (probably attributable to his Toronto shock), Bailey is arguably the most exciting competitor in world athletics at the moment. He is headed for the world championships in Athens next week at full tilt, and as favourite for the first time. But maybe we've ignored him because he hasn't been around for very long.

Basketball was his first love, and although he played at college, he admits he wasn't very good. He had run at school, but did nothing between the ages of 16 and 23. Instead, after taking a degree in economics and business management, he concentrated on a career and the "fast life" of the Toronto nightclubs. As an investment manager, he owned a house and Porsche by the time he was 21.

But he feels that his teenage "time-out" has been a crucial factor in his success. "I ran 10.65sec when I was 16, and I'm sure that if I'd taken a scholarship to America and trained when I was 18 years old, I would have run a hell of a lot faster, but I would have been burned out by now. I wouldn't know how to handle the pressure, the stress, the chaos."

"I think the reason I have been successful is because, as a businessman, I understand what life is all about. I understand the chaos that is part of track. In the heats of the 100 metres, I will still be able to focus on the important things I have to do."

Life began to change in 1991, when he saw his schoolboy friend, Glenroy Gilbert, doing well in athletics. On virtually no training, Bailey made the Canadian team for the Pan-American Games, where he finished eighth in the 100 metres, and anchored the relay team to a silver medal. The following year, he met Gilbert's coach, Dan Pfaff, who was then working at the University of Louisiana at Baton Rouge. "Dan said, 'Do you work out, do you lift weights, are you interested in this sport at all?' Because you are gifted enough, you have the tools to become one of the best in the world."

"But I was partying too much. I wouldn't get to bed some nights. I was a single guy living comfortably. Injury kept him out of Barcelona, and after months of occasionally phoning



Donovan Bailey: "...I really hate the one-off races. OK, Toronto was different, but when it comes to the Olympic Games or the world championships, with the heats and a final, I get more relaxed with each round"

Sporting Profile

From the fast life to the fast track

A business career and time-out for partying paid off for the world's top sprinter, Donovan Bailey tells Pat Butcher

Pfaff to say he'd be in Louisiana the next week, the coach had virtually given up on Bailey when he turned up in Baton Rouge in February 1993. "I ran the second day I was there and Dan said, 'Oh my God, everything's wrong, your start is bad, your acceleration is bad, you don't lift weights.' I started lifting weights with women. They were benching over 180lb, and I could barely do 135. By the time I left, after about 10 weeks, I could do over 200. Dan taught me the importance of all of those things: training, eating, sleeping and rest."

Bailey has been going back ever since for three-month periods, first to Louisiana, now to Austin in Texas, where Pfaff was made head coach two years ago. The breakthrough came in 1994, when he ran 10.09sec for 100 metres. Every year since then, he has won the biggest sprint prize of the season. A world record 100 metres man from Toronto, but born in Jamaica, is

evidently going to excite comparison with the drug-abusing Ben Johnson, who has the same background. When Bailey won the 100 metres in Gothenburg, the first question at his press conference was about Johnson. Bailey limited himself to a trace of exasperation as he reminded the assembly he wasn't around when Johnson was running. But he accepts that comparisons are inevitable.

"I am very glad that Ben got caught, because it opened the door for the massive drug testing that we have in Canada, and although it's very annoying and invasive sometimes, I'm aware that no one's that stupid or that desperate in our country to do it."

When following him recently on the grand prix circuit for a couple of days, various people kept hinting that Bailey wasn't perhaps the nice guy that he seems. After his 100 metres victory in 9.94sec (his fourth best) against Linford Christie in

Nuremberg last month, one of his managers said, "It's a good job he won last night. Maybe he wouldn't have been so amenable."

One of his sponsors was unusually frank, saying, "He can be real mean". But then he went on to describe how Bailey had been to company headquarters the previous

day, eaten in the staff canteen, and thoroughly charmed everyone.

And in those couple of days, from athletes' hotel to stadium, to official reception, to restaurant, to TV studio, he was never anything but amenable. OK, it was still within two weeks of his victory in Toronto,

and he was winning on the circuit. And having a good time being chased by a posse of women.

But there wasn't a sign of bad humour.

Which is why people were surprised at his reaction just after the Toronto race against Michael Johnson, whom Bailey believed had been insulting him for six months before the race.

With Johnson still limping along the track, Bailey raced to the nearest microphone to call Johnson "chicken", "faking", "not injured", among many other things.

Conservative Canada was shocked, but it was hardly in the Mike Tyson league of sporting abuse.

"A lot of people really didn't understand the things that were taking place. The attacks had got personal and very disrespectful. But every time he [Johnson] said something derogatory about me or my staff, I didn't run to the media.

"I totally blew up, but it was something I had to get out. But then I realised it

was wrong. I like to win gracefully. I think there's a lot of people, especially younger people, who look up to me. I have a daughter, and I really care what they think, and I try to be positive. I did something that was totally out of character, so I think it was very important to apologise."

Despite the furor, there is a strong possibility of a rematch in Las Vegas. Bailey admits that the reaction in Europe was largely negative, "but TV ratings in Canada were higher than for the Olympic 100 metres, and CBS (US TV) said they hadn't had such high ratings for athletics for years. I felt short-changed, because I wanted him to cross the line, and he was OK. If he feels that he got hurt last time, and that's why he didn't win, we'll do it again. I'll prepare for it again, and when I prepare for something and I get focused, it usually comes out the way I want."

But first, there is the world championships where Bailey is going into his first major title chase as a favourite.

And he has two big advantages - he runs better with successive rounds and, perhaps more importantly, he rises to the big occasion. "I love to compete, but I really hate the one-off races. OK, Toronto was different, but when it comes to the Olympic Games or the world championships, with the heats and a final, I get more relaxed with each round. If we had six rounds, it would be perfect."

On the track, Bailey somehow doesn't seem so big. As if, at rest, he has shrunk himself to conserve his energy. As it turns out, he has lost about 6kg since last year. He has acquired a nutritionist, to go with the physiotherapist and chiropractor who travel with him. "I'm eating better, and my starts are a lot better than last year. That's why I feel I can do a lot faster than 9.84sec [his world record]."

But money, he claims, is the product of his talent, not a primary concern.

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It's official. Forget about comedy, fashion, poetry - football is the new rock 'n' roll. That, at least, is the view of Jon Baddeley, who heads Sotheby's collectables department, that fast-growing rag-bag of markets from Dinky toys to film posters which is attracting the attention of collectors who cannot tell a Canaletto from a Cornetto.

Rock 'n' roll memorabilia has been one of the great growth areas in the saleroom. "I think football is where pop was 15 years ago," says Baddeley. "For The Beatles, read Manchester United."

Just as a generation of nouveau riche men and women in their 40s wanted to spend their disposable income acquiring a memento of their youth, like a Beatles gold disc or a Jimi Hendrix guitar, so their successors want a fragment of George Best or Eric Cantona. The shirt they wore, the ball they kicked when they scored that match-winning goal could be the prized saleroom object of the future.

Sports memorabilia is big business. It began with golf, where a piece of blacksmith's old iron, part of a club used around 1700, made £97,000, and balls stuffed with feathers, produced around 1890, sold for £32,000.

Golfers tend to be reverential about the game's long history, especially the Japanese. New golf clubs in Spain and the US bought old golf paraphernalia for their swiftly created golf museums. Prices rocketed, but

have now reached a plateau or even fallen.

Bob Gowland of Phillips, who organises two sales a year, says most of the best stuff is safely in collections or clubhouse museums. However, there is no shortage of collectable items. In the autumn, he is offering a complete run of Golf & Golf Illustrated magazine, from the 1890s to 1914, and expects to sell it for £8,000 - against the £25,000 a similar run made at the 1990 peak.

The auction houses quickly realised that where golf led, other sports, especially cricket with its even longer and better documented history, could follow. A complete run of Wisden Cricketer's Almanack, very rare, sold for £40,000 in 1995, against £30,000 in 1990, and £4,000 in 1980.

Cricket has its drawbacks - it hardly touches America (apart from those of John Paul Getty, a big buyer) or south-east Asian nerves - but, as with golf, the fanatics are more nostalgic about the 19th century than about more modern times, when English cricket has produced few heroes.

The growing interest in soccer is different. Who remembers great 19th century footballers, or even pre-war players? It is only



Fred Perry's 1934 Wimbledon trophy sold for £36,700

Christie's South Kensington

In the past 25 years that the game has become glamorous - and commercial - just like rock 'n' roll.

Unfortunately, just like rock 'n'

roll, there are terrible problems about provenance. It is hard to prove this is the shirt Bobby Moore wore when England beat Germany in the World Cup Final.

Sports Memorabilia

The shirt off Eric Cantona's back

Manchester United have ousted The Beatles in the saleroom, finds Antony Thorncroft

Auctioneers need convincing evidence before they risk selling.

Grant MacDougall, of Christie's in Glasgow, which holds an annual auction devoted to soccer, has been inundated with Cantona shirts after one was bought at a charity auction for £15,000. He needs to see a letter of authentication from Manchester United, and might then place an estimate of up to £4,000 on one of Cantona's Cup final jerseys.

Unlike cricket, where the nostalgia is mainly for the sport, the soccer collector chases the top names. At its last auction, Christie's Glasgow got £9,000 for the jersey worn by Billy Wright when he made his 100th appearance for England. It has also secured £9,500 for the FA Cup winner's medal awarded to Stan Mortensen, who scored a hat-trick in the 1963 final. But these are the biggest names, playing in the biggest matches of their lives.

Along with soccer, tennis has proved popular and, just before Wimbledon, Christie's South Kensington brought in £220,000 from this sector. It was greatly helped by having the archive of the UK's greatest player, Fred Perry, which brought in £290,000, almost twice the estimate. The

racket, which won him Wimbledon for the first time in 1934 went for £28,000, and the winning trophy he received, the Renshaw Cup, sold for £36,700.

Phillips' Cardiff saleroom has championed rugby, and from a small group of 35 lots in 1994 now holds two sales a year, the next on October 1. Prices seem modest - £300 for the programme of the Wales-All Blacks match of 1905; £600 for a jersey worn by Percy Bush, the great turn-of-the-century player. But with the Welsh Rugby Union creating a museum in its new Cardiff stadium, prices could soon rise.

Christie's has built sales around the Olympics. The resale value of a gold medal seems to be around £3,000. That, at least, was the price paid for one awarded to equestrian rider Wilfred White in 1952, although Christie's expert Marie-Helene Oliver reckons one of Jesse Owen's 1936 Berlin golds would top £10,000 if it came under the hammer.

Collectors of sports memorabilia are buying into a dream: the great names carry an extraordinary premium. This should be confirmed in Los Angeles on October 19, when Christie's offers 3,000 lots relating to boxing's

most famous, and infamous, son, Muhammad Ali. It is the largest collection of Ali memorabilia to reach the market.

Up to \$60,000 is expected for the robe he wore when he won the heavyweight title from Sonny Liston in 1964. The referee's and judge's scorecards from this fight carry the same estimate. His trunks from the "rumble in the jungle" with George Foreman in 1974 are expected to make up to \$45,000.

Auctions for some sports, notably cricket and golf, are becoming predictable; others are waiting to be developed. Because of the general ignorance about what is out there, and the level of fanaticism, prices can be very unpredictable.

Sotheby's has still not quite recovered from its experience when selling the "Jules Rimet World Cup" earlier this month. In 1966, the World Cup was stolen - to be recovered a week later, thanks to a ferreting mongrel dog called Pickles. To prevent a recurrence of this embarrassing episode, a replica Cup was made which masqueraded as the real thing for two years. This worthless copy was then sent back to the makers.

It turned up at Sotheby's with an estimate of up to £30,000. But two potential buyers in the room were not to be thwarted and chased each other up to £254,500 before it was secured by an anonymous bidder. It is events like this which make sports memorabilia a very worthwhile pastime for the salerooms.

INTERNATIONAL ARTS GUIDE

What's on around the world

AMSTERDAM

EXHIBITIONS
Van Gogh Museum
 Tel: 31-20-570 5200
 Second of four summer exhibitions of drawings by Van Gogh. This time it is the turn of the works produced when the artist lived in Nuenen, 1883-85. The exhibition is shown in two parts, with a changeover on Aug 18; to Oct 12

AVIGNON

THEATRE
Avignon Festival Tel: 33-4-9014 1414
 ● Amphitryon: by Molière. One of two productions brought by Anatoli Vassiliev as part of a Russian season. Cast includes Valérie Dréville; at the Eglise des Célestins; Jul 26, 27.
 ● Chambre d'Hôtel dans la Ville: adapted from Gogol and directed by Valeri Fokine; at the Usine Volpout; Jul 26, 27.
 ● Chant pour la Volga: The Battle of Stalingrad. Written, directed, designed, and performed with puppets by Rézo Gabriadze; at the Chapelle des Pénitents Blancs; Jul 26, 27, 28

BARCELONA

EXHIBITIONS
Fundació "la Caixa"
 Tel: 34-3-404 6073
 Tarsila do Amaral, Frida Kahlo, Amelie Pelaez: display of works by the three women artists which aims to explore the relationship between the European avant-garde and the indigenous traditions which influenced them; ends tomorrow

BERLIN

EXHIBITIONS
Museum für Moderne Kunst, Martin-Gropius-Bau
 Tel: 49-30-2548 6714
 The Age of Modernism - Art in the Twentieth Century: comprehensive survey which presents the art of this century in four self-contained sections. Beginning with the explosion of Cubism and the crisis of the avant-garde, the exhibition includes works by Picasso, Duchamp and Kandinsky as well as younger and contemporary artists; ends tomorrow

BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
 Tel: 49-228-917 1236
 Sigmar Polke: subtitled "The Three Lies of Painting", this show aims to be the largest ever held in the country's biggest exhibition halls. Including some 180 loans, it will document Polke's work from 1962 to the present, and will transfer to Berlin's Hamburg station; to Oct 12

DROTTHINGHOLM

OPERA
Drottningholms Slottsteater
 Tel: 46-8-4570600
 Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette. With the Drottningholm Theatre Ballet and Orchestra; Aug 2

EDINBURGH

EXHIBITIONS
Royal Scottish Academy
 Tel: 44-171-624 6200
 Sir Henry Raeburn (1756-1823): major exhibition of around 70 works by this most famous of Scottish painters, bringing together the works owned by the National Gallery with loans from around the world; Aug 1 to Oct 5, after which the exhibition will travel to London

Scottish National Portrait Gallery
 Tel: 44-131-624 6200
 The Face of Denmark: the product of an exchange organised with the museum's Danish counterpart, this exhibition will include works from the period 1750-1840 and portraits of famous Danes including Hans Christian Andersen and Kierkegaard. In return, Scottish portraits will travel to Denmark in the autumn; to Aug 31

FORT WORTH

EXHIBITIONS
Kimbell Art Museum
 Tel: 1-817-332 8451
 Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous!" One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Riviera in the 1880s, to Venice in 1908; to Sep 7

GLASGOW

EXHIBITIONS
McLellan Galleries
 Tel: 44-141-331 1854
 The Birth of Impressionism: more than 150 works including paintings by Monet, Sisley and Pissarro are presented here in relation to the work that went before them. The six galleries tell the story of Impressionism's reception by the French artistic establishment as well as suggesting the influence of photography, railways and Parisian cafe society on the new painting; to Sep 7

KASSEL

EXHIBITIONS
Various venues
 Documents: giant five-yearly survey of contemporary art which takes place all



From left, Ben Kingsley, Greg Hicks, Alan Howard and Denis Quilley in a production of Beckett's 'Waiting for Godot' directed by Peter Hall, at the Old Vic, London

over Kassel. Starting at the old railway station, this tenth edition has been selected by French curator Catherine David; to Sep 28

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
 Tel: 44-171-589 8212
 ● BBC Philharmonic, conducted by Richard Hickox in works by Britten, Grainger, Elgar and Jonathan Harvey, the world premiere of whose Percussion Concerto is performed with percussionist Evelyn Glennie; Jul 26
 ● Deborah Warner directs a semi-staged performance of Honegger's *Joan of Arc at the Stake*, with Fiona Shaw in the title role. Libor Pešek conducts the Royal Liverpool Choir and Orchestra. Programme includes works by Satie/Debussy and Ravel; Jul 27
 ● BBC Symphony Orchestra, conducted by David Robertson in works by Haydn, Mozart and Bartók - Initiating a major Proms retrospective of the Hungarian composer's work; Jul 28
 ● European premiere of Sofia Gubaidulina's *Viola Concerto*, performed by the Hallé Orchestra, conducted by Kent Nagano with Yuri Bashmet on viola. Programme includes works by Debussy and Shostakovich; Jul 29
 ● BBC National Orchestra of Wales, conducted by Mark Wigglesworth in works by Beethoven and Mahler. With mezzo-soprano Waltraud Meier and British tenor Anthony Rolfe Johnson; Jul 30
 ● BBC National Orchestra of Wales, conducted by Mark Wigglesworth. Programme includes David Sawer's *The greatest happiness principle*, Bartók's *Piano Concerto No. 3* with pianist Stephen Hough, and Sibelius's *Symphony No. 2* in D major; Jul 31
 ● The King's Singers' programme includes works by Sir Peter Maxwell Davies, Ligeti and Lennon & McCartney; Jul 31
 ● Jiri Bělohlávek: conducts the BBC Symphony Orchestra and Chorus in works by Brahms, Chopin and Schubert; Aug 1

DANCE
London Coliseum
 Tel: 44-171-632 8300
 ● The Kirov Ballet: Don Quixote; Jul 26
 ● The Fountain of Bakhchisarai; Jul 28, 29, 30
 ● Fokine Programme 1: first of two programmes staged by Isabelle Fokine, the choreographer's granddaughter; Jul 31; Aug 1, 2

EXHIBITIONS
British Museum Tel: 44-171-638 1555
 Arts of Korea: overview of Korean art and archaeology ranging from the Neolithic period to the 19th century. Exhibits include a royal gold crown from the Silla kingdom, early Buddhist manuscripts, Koryŏ ceramics and 18th century landscapes. The exhibition is scheduled to run until 2000, when it will be replaced by a new, permanent Korean Gallery

Hayward Gallery Tel: 44-171-2610127
 Rhapsodies in Black: Art of the Harlem Renaissance - for African American artists working in New York, the 1920s was a golden age, Harlem its dynamic centre. This multimedia presentation celebrates this decade of extraordinary creativity; to Aug 17

National Gallery Tel: 44-171-639 3321
 Seurat and The Bathers: places Seurat's great "Bathers at Asnières" in a context provided by his own earlier work, and studies and drawings for the painting, as well as works by predecessors who influenced him, and by his Impressionist contemporaries; to Sep 28

Royal Academy of Arts
 Tel: 44-171-439 7438
 Hiroshige: Images of Mist, Rain, Moon and Snow - celebration of the bicentenary of Hiroshige (1797-1858), Japanese master of the coloured woodcut, whose landscapes provide an atmospheric picture of 19th century Japan; to Sep 28

Tate Gallery Tel: 44-171-887 8000
 Mondrian: Nature to Abstraction - a

series of drawings and paintings of trees and the sea, executed in Paris before 1914, form the core of this exhibition of works loaned by the Gemeentemuseum in the Hague. The 80 works selected trace the artist's development, beginning with a group of early river scenes, moving through his Luminist and Cubist phases, towards the mature abstraction of his famous grid paintings; opens today

THEATRE
National Theatre
 Tel: 44-171-928 2252
 ● Closer: new play written and directed by Patrick Marber, with a cast including Claran Hinds; Cottesloe Theatre; in repertory
 ● King Lear: by Shakespeare. Highly praised production directed by Richard Eyre, with Ian Holm in the title role; Cottesloe Theatre; in repertory
 ● Amy's View: Judi Dench and Samantha Bond star as mother and daughter in a new play by David Hare directed by Richard Eyre; Lyttelton Theatre; in repertory
 ● The Cripple of Inishmaan: new play by Martin McDonagh directed by Nicholas Hytner; Lyttelton Theatre; in repertory
 ● Guys and Dolls: revival of Richard Eyre's production with a cast including Imelda Staunton as Miss Adelaide; Olivier Theatre

Shakespeare's Globe
 Tel: 44-171-401 9919
 ● Henry V: by Shakespeare - Mark Rylance stars as the young king in a production directed by Richard Olivier and designed by Jenny Tiramani; in repertory
 ● The Winter's Tale: by Shakespeare - directed by David Freeman; in repertory

The Old Vic Tel: 44-171-928 6555
 ● The Provok'd Wife: Lindsay Posner directs Alison Steadman and Michael Pennington in Vanbrugh's comic take on sexual politics in Restoration England; in repertory
 ● The Seagull: by Anton Chekhov, in a version by Tom Stoppard directed by Peter Hall. Felicity Kendal is Madame Arkadina, Dominic West her unhappy son, Michael Pennington her lover; in repertory
 ● Waiting for Godot: by Samuel Beckett. Ben Kingsley and Alan Howard play Estragon and Vladimir. The director is Peter Hall; in repertory

LOS ANGELES

EXHIBITIONS
Museum of Contemporary Art
 Tel: 1-213-6266222
 Jeff Wall: first retrospective exhibition of the Canadian artist whose photographic work draws on the narrative traditions of tableau painting; the exhibition will travel to Japan; to Oct 5

NEW YORK

Lincoln Center Festival 97
 Tel: 1-212-875 5030
DANCE
 ● The Royal Ballet at the Metropolitan Opera House: Cinderella - revival of Sir Frederick Ashton's ballet, set to Prokofiev's score; Jul 26
 ● The Prince of the Pagodas. Music by Benjamin Britten. NY premiere of this first act ballet, choreographed by Sir Kenneth Macmillan. Dorey Bussell is Princess Rose; Jul 27

OPERA
 ● Palestrina: by Hans Pfitzner - the Metropolitan Opera House is the setting for the New York debut of London's Royal Opera and US premiere of Pfitzner's opera, which tells the story of 16th century composer Giovanni Pierluigi da Palestrina. Tenor Thomas Moser leads a cast of more than 40 in this production, seen at Covent Garden earlier in the year. The conductor is Christian Thielemann; Jul 26

THEATRE
 ● Umabatha: The Zulu Macbeth - Welome Moomi's transposition of Shakespeare's tragedy is performed by a cast of 66 drummers, dancers, singers and actors; New York State Theatre; to Jul 27
 ● Woza Albert: After Apartheid - four different programmes of South African

township plays, intended to illustrate the changes which have taken place over the past 10 years; at the John Jay College Theatre and LaGuardia Theatre; to Jul 27

Ambassador, 219 W. 49th St.
 Tel: 1-212-239 6200
 Bring In Da Noise, Bring In Da Funk: tap dancing spectacular with a political message about the history of black America, choreographed by Savion Glover with a text by Reg E. Gaines

Belasco, 111 W. 44th St.
 Tel: 1-212-239 6200
 A Doll's House: Janet McTeer's much admired Nora plays opposite Owen Teale's Torvald in this sexually charged rendition of Ibsen's play, first seen in London and directed by Anthony Page; to Sep 1

Lucille Lortel, 121 Christopher St.
 Tel: 1-212-239 6200
 As Bees in Honey Drown: by Douglas Carter Beane. Directed by Mark Brokaw. Cast includes T. Scott Cunningham and Aug J. Smith-Cameron; to Jul 31

Manhattan Theatre Club, City Center
 Tel: 1-212-5811212
 Collected Stories: Lisa Peterson directs this production of Donald Margulies' new play, starring Maria Tucci and Debra Messing as the writing professor and the graduate student who betrays her trust; to Jul 27

Minetta Lane Theatre
 Tel: 1-212-420 8000
 Gross Indecency: The Three Trials of Oscar Wilde. Written and directed by Moses Kaufman, based on transcripts, letters and other writings. Michael Emerson plays Wilde; booking to Oct

EXHIBITIONS
Museum of Modern Art
 Tel: 1-212-708 9480
 ● Objects of Desire: The Modern Still Life - beginning with Cézanne, including masterpieces by Matisse and Picasso, and culminating with Pop art and contemporary works, this exhibition traces the art of this century through the various and evolving representations of objects; to Aug 26
 ● Retrospective of the Stenberg brothers which promises to be MOMA's largest graphic design retrospective to date. Pioneers of advertising, the brothers are best known for the arresting posters they designed for Soviet cinema in the 1920s; to Sep 2

OTTAWA

EXHIBITIONS
National Gallery of Canada
 Tel: 1-613-990 1985
 Renoir Portraits: featuring works from throughout his career, this exhibition includes some of Renoir's most famous paintings. The show will travel to Chicago and Texas; to Sep 14

PARIS

EXHIBITIONS
Jeu de Paume Tel: 33-1-4703 1250
 César: major retrospective of one of the most important French sculptors of the twentieth century. Tracing the different approaches and materials with which he worked, the exhibition includes almost 500 objects loaned from museums and collectors in France and abroad; to Oct 19

Musée Carnavalet
 Tel: 33-1-4272 2112
 Rudolf Nureyev: celebration of the great dancer and choreographer who made his home in Paris. Includes photographs, books, furniture and costumes; ends tomorrow

Musée National d'Art Moderne, Centre Georges Pompidou
 Tel: 33-1-4478 1233
 Fernand Léger: retrospective of the early modernist, who emerged from the Cubist revolution around 1910 to move towards abstraction, but whose experiences in the war and socialist principles led him back to figurative painting. The exhibition will travel to Madrid and New York; to Sep 29

ROME

EXHIBITIONS

Palazzo Venezia Tel: 39-6-679 8865
 Feste a Roma: includes reconstructions of lavish, semi-permanent Baroque structures built to celebrate festivals, both religious and secular, which took place in Rome between the 17th and 18th centuries; to Sep 15

SALZBURG

Salzburg Festival Tel: 43-662-644501
CONCERTS
 ● Vienna Philharmonic Orchestra, conducted by Seiji Ozawa in works by Berlioz and Schumann, with mezzo-soprano Susan Graham; at the Grosses Festspielhaus; Jul 26, 27
 ● Philharmonia Orchestra, conducted by Kent Nagano in works by Messiaen, Pintscher and Debussy; at the Felsenreitschule; Aug 1
 ● Philharmonia Orchestra, conducted by Kent Nagano in works by Messiaen, Pintscher and Debussy; at the Felsenreitschule; Aug 1

OPERA
 ● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzthof; Jul 26, 30
 ● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitschule; Jul 30; Aug 2

THEATRE
 ● Jedermann: by Hugo von Hofmannsthal. Revival of Gernot Friedel's production, designed by Imre Vincze; at the Domplatz; Jul 27, 30
 ● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Molda Bickel. Libussa is played by Dörte Lyssenski; at the Perner-Insel; Jul 26, 28, 29, 30; Aug 1

SANTA FE
OPERA
 Santa Fe Opera Tel: 1-505-986 5900
 ● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Penick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Jul 26, 30
 ● Così Fen Tulle: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schweng; Jul 28; Aug 2

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SCHLESWIG-HOLSTEIN

CONCERTS

trumpet soloist Ole Eckard Antonsen at the Festhalle, Wotersien; Jul 28
 ● Deutsche Kammerphilharmonie, conducted by Paavo Järvi in works by Haydn, Schoenberg and Beethoven, with baritone Roland Hermann and piano soloist Stefan Ulwin; at the Theater, Itzehoe; Jul 29
 ● Musica ad Rhenum: in works by Bach and Handel; at St. Nicolaskirche, Lüneburg on Jul 31 and at the Dom, Meisdorf on Aug 1

TANGLEWOOD

CONCERTS
Tanglewood Festival
 Tel: 1-617-931 2000
 ● Boston Symphony Orchestra, conducted by André Previn in works by Gould, Copland, Schumann and Gershwin, with clarinet soloist William R. Hudgins; the Shed; Jul 28
 ● Boston Symphony Orchestra, conducted by Jeffrey Tate in works by Elgar, Beethoven and Brahms, with piano soloist Christian Zacharias; the Shed; Jul 27
 ● Yo-Yo Ma: recital by the cellist of Bach Suites Nos. 4, 5 and 6; Ozawa Hall; Jul 27
 ● Soprano Barbara Bonney: recital including songs by Robert and Clara Schumann, with pianist Caren Levine and clarinet soloist William R. Hudgins; Ozawa Hall; Jul 29

VENICE

EXHIBITIONS
Giardini di Castello, the Corderie della Tana and elsewhere in the city.
 Venice Biennale: The 47th International Art Exhibition is larger than ever, with 58 participating nations and a strong showing from the underdeveloped world. The theme of the central exhibition, at the Corderie and the central Pavilion, is "Future, Present, Past"; to Nov 9

VERONA

OPERA
Arena di Verona Tel: 39-45-800 5151
 ● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli. Casts vary; on Aug 1, 10 & 15 Maria Guleghina sings the title role; Jul 27, 29; Aug 1
 ● Macbeth: by Verdi. New production designed by Pier Luigi Pizzi, with choreography by Gheorghe Tanacu. Conducted by John Neschling; casts vary; Jul 26, 30

VIENNA

EXHIBITIONS
Kunsthau Wien Tel: 43-1-7120495
 Schmidt-Rottluff: comprehensive exhibition of the work of German expressionist Karl Schmidt-Rottluff (1884-1976); comprises around 180 works, including paintings, drawings, and woodcuts; to Aug 24

WASHINGTON

CONCERTS
Wolf Trap Tel: 1-703-218 6500
 National Symphony Orchestra, conducted by Zdenek Macal in a programme of works by Tchaikovsky; Aug 1

EXHIBITIONS
National Gallery of Art
 Tel: 1-202-737 4215
 ● Picasso: The Early Years, 1892-1906 - making the case for the artist's career before Cubism, this show begins with Picasso's formative years and traces his relation to Catalan modernism in turn-of-the-century Barcelona. Including important works from his Blue and Rose periods, the exhibition culminates in the Iberian figure pictures of 1906; ends tomorrow
 ● Sculpture of Angkor and Ancient Cambodia: Millennium of Glory. Around 100 works dating from 6th-16th centuries make up this exhibition of Khmer sculpture, the first of its kind in the US. Previously seen in Paris, the show will travel to Japan; to Sep 28

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 Listings supplied by ArtBase, Amsterdam. Tel: 31-20-664 6441
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Weekend Investor

Wall Street

It's what Greenspan didn't say...

John Authers looks further into the Fed chairman's testimony to Congress

When in doubt on Wall Street, blame Alan Greenspan. As the chairman of the Federal Reserve, with the power to raise rates, he has the power to move markets without lifting a finger.

"Irrational exuberance" has entered stockmarket history already. That was the day in December when squibbed in response to his public ruminations on the consequences of dealers were to be afflicted by "irrational exuberance".

Two months later came "pre-emptive strike" day when Greenspan emphasised that an interest rate rise should be made before the economy overheated rather than once the process had begun. It was one of his clearest signals that rates would rise in March, and they did. By the time the Fed moved, the market had already discounted the rise.

This week gave us a new instalment. Greenspan reports twice a year to congressional committees on the state of the economy. These outings give him regular set-piece opportunities to send a signal to the markets. But this week's speech had no "killer soundbite" to match his previous blockbusters.

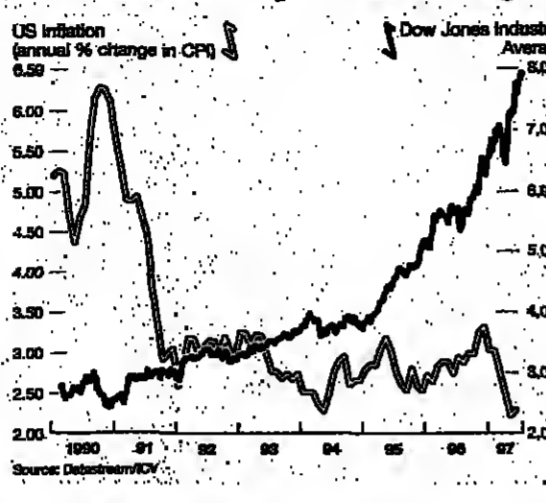
The result: a great excuse to buy. Shares soared on Tuesday afternoon, with many traders describing Greenspan's comments as "bullish". The Dow Jones Industrial Average gained 154.93 points, or about 2 per cent, after the testimony.

On Wednesday, the market caught a brief cold. It lasted until Greenspan spoke to the Senate and repeated just what he had told the House of Representatives, with no added soundbites. That was enough, and the Dow rattled up another 26.71 points, briefly breaching 8,100. For the rest of the week, it remained at or around record levels.

Greenspan started by pointing out, correctly, that the US economy is on a run of phenomenal success where inflation and unemployment both have stayed low, allowing stock prices to surge ahead, virtually without interruption since the end of the Gulf war in 1991.

While he termed this performance "extraordinary",

Goldilocks economy: no bears in sight



he also referred to the "puzzling quiescence of inflation". Most of his talk was devoted to the main issue which divides bulls from bears: whether the US economy has increased the level of output it can sustain without inflation on a permanent basis, thanks to such factors as technological improvements, or whether it is simply enjoying a longer boom-to-bust cycle than usual.

Greenspan appeared agnostic on the issue, providing Congress with several points to support both positions. But he plainly has some sympathy for the view that productivity might have been raised to a new plane through the heavy capital investment in technology as well as a continuing high sense of job insecurity.

Several strategists took note. According to Goldman Sachs' Aby Cohen, Greenspan's "encouraged smiles" and his testimony had affirmed several of the key assumptions underlying his own well-known positive views on the US financial markets - including technology investment, which has tripled as a proportion of gross domestic product over the past five years, low inflation, productivity gains and high savings rates.

Moving into the kind of analysis which used to be reserved for the Kremlin, Smith Barney's research team saw the weighting of words as an indicator of shifts within the Fed's board of governors. "Our sense is that Greenspan has been sympathetic to the produc-

tivity story for some time," they said. "But its prominence in [his] report suggests this view has become much more widely accepted among other open market committee members."

The ears of the markets were, however, tuned mostly to hints about immediate interest rate policy. He eschewed the opportunity to send a clear hint on this and he avoided any criticism of the market's present high level.

It was, therefore, reasonable for traders to assume that an interest rate rise is not imminent in the next few months although, as much, anyway, it should not have had much impact on stock and bond prices.

Moreover, a number of analysts have begun to note in the past three days that Greenspan left the option of a rate rise wide open. For example, he said: "The recent improvement in productivity could be just transitory, an artifact of a temporary surge in demand and output growth."

And although he avoided a military metaphor, such as "pre-emptive strike", he made clear that a rate rise, to be effective, had to happen before inflation takes off. In fact, he did nothing to remove rate rises later this year from his arsenal.

Dow Jones Industrial Average

Monday 7906.72 + 16.26

Tuesday 8081.85 + 154.93

Wednesday 8088.36 + 26.71

Thursday 8118.03 + 29.57

Friday

London

Exports take a pounding

Patrick Harverson sees a dilemma for the Bank

Independence might be a great concern with the export sector of UK industry. Sterling is now at about its highest level against the D-mark in eight years (it stood at DM3.05 yesterday).

This might not seem to be such a problem for the government. A stronger pound depresses goods' price inflation in the short term and restrains export growth as it makes UK products more expensive to buyers abroad.

These repercussions are not entirely incompatible with the economic slowdown the managers of monetary policy are trying to achieve by raising interest rates.

But, as the economists at stockbroker ABN-Amro Hoare Govett point out in their latest quarterly, the strong pound is a "poor substitute for a tightening of domestic monetary policy".

The problem, says Hoare, is that an appreciating currency cannot address the UK's fundamental problem

of excess consumer demand". And while the strong pound might not depress domestic demand, it certainly depresses exporters.

On Thursday came news from the Confederation of British Industry of the biggest collapse in manufacturers' export prospects for almost 17 years. The CBI reported that export orders had been falling at their fastest rate since 1991. At some point, jobs will start to be cut, which is not what the new government wanted to see so early in its reign.

The schizophrenic aspect of the UK economy was evident in the same CBI quarterly survey, which predicted factory output would continue to increase amid what is the most rapid rise in domestic orders seen for more than two years.

This is the Bank's dilemma. Rates have to go up to cool domestic demand

and dampen inflation. But higher rates will only tighten the already painful squeeze on exporters. What all this means for the stock market is not very clear. Rising interest rates and an overvalued currency normally depress share prices.

Yet, a few minor setbacks aside, the FTSE 100 index has been making its merry way toward 5,000, carried along in the slipstream of Wall Street's even more remarkable rise. This week, despite a big Monday fall on fears that US Federal Reserve chairman Alan Greenspan would signal further interest rate rises, the leading index ended just 36 points lower at 4,851.5, still up 23 per cent in the past year. It is, however, mainly the market's heavyweights that have participated in this bull run. While Footsie has bounded ahead, the SmallCap index has barely moved since January.

At least smaller companies, which have seen their shares rooted to the spot this year, might have enjoyed a little bit of *schadenfreude* this week as two of the market's heaviest weights - Reuters and Imperial Chemical Industries - cried foul over sterling's strength.

Reuters shares fell on Wednesday after the media group said the 3 per cent decline in its interim profits to £23m was entirely down to the currency effect. A day later, ICI reported six-month profits more than halved, including £90m of sterling-related losses. And worse is to come, for ICI forecast it



Exporters: just say no to rate rises

would lose £150m from adverse currency movements this year.

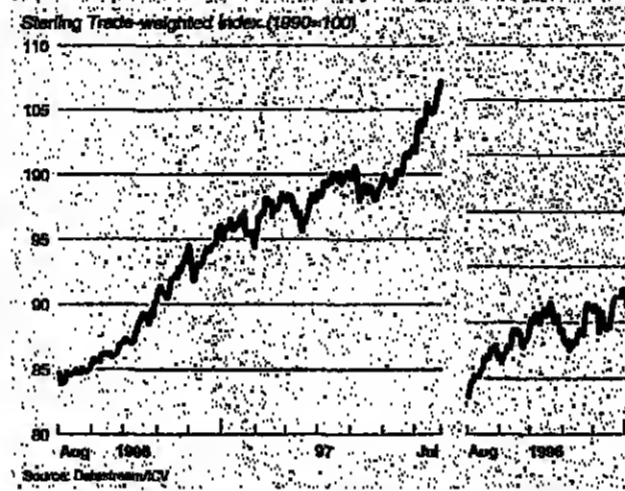
Other stocks buffeted by the currency factor this week were BICC, Glynwed International, Courtaulds and British Steel. If the Bank raises rates in early August, expect that list to lengthen.

The saga of the planned Guinness-Grand Metropolitan union produced a few more twists and turns this week. Bernard Arnault, chairman of the French luxury goods group LVMH, claimed his plan for a merger of his drinks interests with those of Guinness and Grand Metropolitan would add £130m to the combined profits of the new group. His proposal was accompanied by some tactical manoeuvring that saw LVMH raise its stake in GrandMet while reducing its holding in Guinness. At the same time, Arnault resigned from the latter's board.

The two UK groups courted yesterday with a vigorous defence of their own planned £24bn merger. They claimed the proposal from Arnault would, in fact, cost the group £1.5bn in extra taxes and generate no other obvious benefits.

Finally, Ted Baker, the fashionable men's shirt retailer, made its debut on the market this week and the shares, placed with institutions at 185p, finished on 137p, valuing the company at £56.7m. Perhaps Baker might be persuaded to provide replacements for those exporters losing their shirts on the pound.

Rising pound fails to check FTSE's advance



Highlights of the week

| | Change | Value | Change | Value |
|-------------------|--------|--------|--------|--------|
| FTSE 100 index | +25.7 | 4851.5 | +388.5 | 3888.5 |
| Abbey National | +1.0 | 110.0 | +1.0 | 110.0 |
| BIC | +1.0 | 110.0 | +1.0 | 110.0 |
| Bloomsbury | +1.0 | 110.0 | +1.0 | 110.0 |
| Booker | +1.0 | 110.0 | +1.0 | 110.0 |
| British Airways | +1.0 | 110.0 | +1.0 | 110.0 |
| BT | +1.0 | 110.0 | +1.0 | 110.0 |
| Cadentia | +1.0 | 110.0 | +1.0 | 110.0 |
| Cookson | +1.0 | 110.0 | +1.0 | 110.0 |
| Halma | +1.0 | 110.0 | +1.0 | 110.0 |
| Imperial Chemical | +1.0 | 110.0 | +1.0 | 110.0 |
| Kingfisher | +1.0 | 110.0 | +1.0 | 110.0 |
| National Power | +1.0 | 110.0 | +1.0 | 110.0 |
| United Utilities | +1.0 | 110.0 | +1.0 | 110.0 |
| Smith David St | +1.0 | 110.0 | +1.0 | 110.0 |

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Barry Riley



Dance of the old bears

When the market's momentum stops

In a clear market, you can see forever. That is the vision of the bulls as they project a benign global environment of steady growth and low inflation forward into the next millennium.

Momentum is today's market theme. When you have abolished the cycle, you have only the trend. The present trend favours the stock markets nearly everywhere, and also currencies like the dollar and sterling.

When some currencies rise, however, others must fall in a zero sum game. That applies especially to the continental European currencies where, at one stage this week, the D-mark was trading at more than 3.08 to the £, making a one-third depreciation in 12 months (it was once a "hard" currency, remember?).

Momentum investors put their money in whatever is strong, or sometimes sell whatever is weak. Originally, the reasoning was probably that big moves in prices tend to reflect market inefficiency, especially in terms of privileged information. But that is not why, for example, the HSBC share price has rocketed ahead by 61 per cent this year.

The definition of momentum in physics is mass multiplied by velocity, and it is the weight of money that is now the dominant influence. Huge sums are being poured into leading blue chips around the globe. When the flows finally cease, the consequences could be ugly; but momentum investors believe they will, somehow, get out in time. Experience will prove

them wrong. As Barton Biggs, of Morgan Stanley, says: "I don't know many young bears or old bulls."

Various bears, one after another, have called the turn but have all been proved wrong so far. This particular week's elderly bearpack variously includes Scottish Widows, which has sold £250m of European equities and switched into gilts because value everywhere is so

poor, and Harry Schultz, the eccentric newsletter editor (single copy price, 0.146 ounces of gold) who projects a 22 per cent Wall Street tumble.

But, looking at UK equities, the question is whether the bear market has already begun. Admittedly, this is not the impression given by the buoyant FTSE 100 index. But that has depended crucially on the strength of four particular sectors - retail banks, integrated oils, pharmaceuticals and telecommunications - which account for 50 per cent of the index weightings. The top five stocks alone now represent a quarter of Footsie, led by HSBC with a capitalisation of £55bn.

Footsie has shown an astonishing relative strength of 18 per cent since early April against the rest of the market. But, meanwhile, the FTSE 250 index has fallen by 5 per cent from its year's high on March 11.

Rising interest rates and squeezed manufacturing margins have frightened investors. Curiously, the 250 index's exposure to those four booming sectors is a pathetic 3 per cent.

Sectors like the banks have a safe haven appeal. There, the immediate earnings prospects seem good whereas, elsewhere, life is often very tough. Reuters, supposedly a growth stock,

reported this week that the strength of sterling had turned a pre-tax profits gain of 11 per cent into a decline of 3 per cent. The tale from Imperial Chemical Industries, a cyclical stock, was much worse: its first-half profits have collapsed by more than 50 per cent. Many British companies will be reporting results within a similar dismal range for 1997.

In soft currency countries like Germany, however, the opposite is true. In a two-day upsurge this week, the German market roared ahead by 7 per cent. Its gain in 1997 so far is 48 per cent - and that is no local freak outturn because the entire World index, expressed in D-marks, is up 40 per cent.

Does that clear view indeed stretch out to infinity? This week Alan Greenspan, chairman of the US Federal Reserve, gave his regular testimony to Congress and encouraged

further Wall Street gains. Far from talking about "irrational exuberance" in the markets, he mused about a "puzzling quiescence of inflation".

If something happens to spoil the party, therefore, it seems unlikely to be an interest rate decision by the Fed. But the Dow has surged by 27 per cent in barely more than three months and a correction is overdue. Longer term, the bull market shows some worrying similarities in pattern to those of 1929-37 and 1989-97, both of which peaked in August ahead of vicious crashes. True, there is absolutely no sign of the rising bond yields that played an important part in triggering the crash of October 1987 but, if anything, valuations are now even scarier.

On Wall Street, the conventional wisdom is that the market might correct by up to 10 per cent (there was a 9.8 per cent fall in the spring this year) but massive buying will then come in. Yet, it follows that, if the market ever should go down through the 90 per cent level, investors could be staring right into the abyss.

Waves of stop-loss selling would surely begin. The stock market has been driven by waves of liquidity. If these are withdrawn, value-based bargain hunters will only pitch in much lower down.

To me, the view appears a little foggy. I am not brave enough to predict the date of a turning point, but it promises to be quite spectacular when it comes.

Offshore managed funds and UK managed funds are listed in Section One

مسك: امن الأصل

WEEKEND INVESTOR

Current takeover bids and mergers

| Company | Value of bid | Market price | Value of bid | Value of bid | Notes |
|---------------------|--------------|--------------|--------------|--------------|------------------|
| Applied Electronics | 44 | 43 | 42% | 15.43 | Thames Valley |
| Argent Group | 375 | 375 | 100% | 25.5 | British Property |
| Atlas Cementing | 815 | 815 | 100% | 14.75 | British Property |
| BS & EA | 75 | 72% | 79% | 4.4 | British Property |
| BSI | 170 | 170 | 100% | 130.72 | BSI |
| Blackrock Group | 600 | 600 | 100% | 85.80 | Blackrock Group |
| Cable News | 380 | 380 | 100% | 180.08 | Blackrock Group |
| Cable News | 70 | 70 | 100% | 8.29 | Blackrock Group |
| Colson Group | 60 | 60 | 100% | 21.55 | Blackrock Group |
| Concorde | 180 | 180 | 100% | 50.59 | Blackrock Group |
| David Clark Ass. | 120 | 120 | 100% | 7.51 | Blackrock Group |
| DT Group | 770 | 770 | 100% | 34.8 | Blackrock Group |
| Energy Group | 600 | 600 | 100% | 3.560 | Blackrock Group |
| Gent (RIL) | 80 | 80 | 100% | 25.58 | Blackrock Group |
| Goldborough | 170 | 170 | 100% | 78.55 | Blackrock Group |
| Grampian TV | 210 | 210 | 100% | 104.28 | Blackrock Group |
| Grampian (RIL) | 6120 | 6120 | 100% | 23.000 | Blackrock Group |
| HIV | 420 | 420 | 100% | 37.17 | Blackrock Group |
| Horizon Water | 280 | 280 | 100% | 13.41 | Blackrock Group |
| Health (RIL) | 140 | 140 | 100% | 56.09 | Blackrock Group |
| Imperial | 70 | 70 | 100% | 23.85 | Blackrock Group |
| J&S (RIL) | 40 | 40 | 100% | 54.20 | Blackrock Group |
| Medford Ind. News | 210 | 210 | 100% | 200.00 | Blackrock Group |
| Nelson Hunt | 180 | 180 | 100% | 83.50 | Blackrock Group |
| Nico Group | 140 | 140 | 100% | 24.75 | Blackrock Group |
| Nico (RIL) | 60 | 60 | 100% | 10.00 | Blackrock Group |
| Policy Portfolio | 120 | 120 | 100% | 45.21 | Blackrock Group |
| QVC (RIL) | 330 | 330 | 100% | 26.16 | Blackrock Group |
| QVC (RIL) | 130 | 130 | 100% | 65.8 | Blackrock Group |
| TLS | 220 | 220 | 100% | 85.5 | Blackrock Group |
| Unicom Ind. | 140 | 140 | 100% | 11.50 | Blackrock Group |
| Unicom Ind. | 140 | 140 | 100% | 11.50 | Blackrock Group |
| Unicom Ind. | 140 | 140 | 100% | 11.50 | Blackrock Group |

Last week's interim results

| Company | Sector | Half year to | Pre-tax profit (£000) | Interim dividend per share (p) |
|-----------------|--------|--------------|-----------------------|--------------------------------|
| AFA Systems | AIM | Jun | 855 (200) | 1.1 |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |
| Bentley Systems | AIM | Jun | 815 (300) | 0.25 (0.25) |

Offers for sale, placements & introductions

AFA Systems is raising about £2.1m via a placing & open offer on a 1-for-5 basis of 2m shares @ 10p.

Amstar is raising £2.5m via a placing of 10m shares @ 25p & £2.5m via an open offer of 5m shares on a 1-for-10 basis at the same price.

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New issues

Shares in Billiton, demerged from Genor of South Africa, were priced at 200p this week, giving the mining and metals group a market value of £4.6bn and ensuring it a place in the FTSE 100 index. The price makes it the 56th largest London-listed company and it is likely to join the FTSE 100 on September 22.

Uncertainty has heightened over the flotation date for Formula One Holdings. The issue is not now expected to be launched before late November. The flotation plan has been put back a number of times. When the proposal was leaked in March, the target date was said to be early in June. With several issues unresolved, this was set back to September. Now, November is the target date.

Amstar, the Dublin-based oil and gas exploration and production company, plans to raise up to £1.1m in a share issue to fund the development of oil reserves in the Russian republic of Tatarstan.

Results due next week

| Company | Sector | Announced | Last year | Dividend | This year |
|---------|--------|-----------|-----------|----------|-----------|
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
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| Company | Sector | Announced | Last year | Dividend | This year |
|---------|--------|-----------|-----------|----------|-----------|
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
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| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |
| Amstar | AIM | Thursday | 0.021 | 0.024 | 0.022 |

*Dividends are shown net of tax and are adjusted for any intervening share issues. Reports and accounts are not normally available until about two weeks after the board meeting to approve preliminary results. 1st quarter, 2nd quarter, 3rd quarter, 4th quarter. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

Last week's preliminary results

| Company | Sector | Year | Pre-tax profit (£000) | Earnings per share (p) | Dividends per share (p) |
|---------|--------|------|-----------------------|------------------------|-------------------------|
| Amstar | AIM | May | 82.5 (200) | 17.7 (15.7) | 17 (14) |
| Amstar | AIM | May | 82.5 (200) | 17.7 (15.7) | 17 (14) |
| Amstar | AIM | May | 82.5 (200) | 17.7 (15.7) | 17 (14) |
| Amstar | AIM | May | 82.5 (200) | 17.7 (15.7) | 17 (14) |
| Amstar | AIM | May | 82.5 (200) | 17.7 (15.7) | 17 (14) |
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| Amstar | AIM | May | 82.5 (200) | 17.7 (15.7) | 17 (14) |
| Amstar | AIM | May | 82.5 (200) | 17.7 (15.7) | 17 (14) |

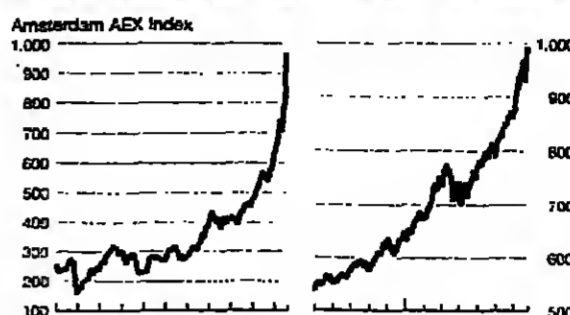
In the Pink

Capitalism? It's just capital say the Dutch

Barbara Smit reports on the reasons for the explosion in shares and investment in the Netherlands

Not so long ago, capitalism remained a rather dirty word in the highly egalitarian Dutch society. In the past few years, though, many thousands of private investors have flocked to the Amsterdam Stock Exchange, and the unprecedented heights reached by Dutch shares have become a standard theme of conversation.

Private investors: new - appetite for shares



The AEX index of Dutch blue-chip stocks has risen by a whopping 41 per cent since the beginning of this year. It was only three weeks ago that the index broke through the 900-point barrier. This week, traders celebrated an historic event as it soared past 1,000.

This phenomenal rise is linked with all the factors that are pushing share prices up in many other European bourses, but also with the dismantling of the Dutch social security net. The gradual privatisation of the system is encouraging Dutch people (otherwise known as exemplary savers) to invest in their own insurance and pension schemes, or directly on the stock exchange. "This is a liquidity-driven rise, with institutional investors switching to shares and private investors becoming more and more enthusiastic," says Marc Pauwels, head of equity research at MeesPierson.

A recent study showed that about a third of Amsterdam investors had acquired their first stocks in the past three years. Stock exchange estimates indicate that the share of private investors has increased by roughly 15 per cent in that period and now accounts for up to 40 per cent of the trade by number of deals, not value.

Last year, Dutch banks reported enormous transfers of money from deposit accounts to the stock exchange. And Roel Goossens, analyst at Van Meer James Capel, estimates that there is still about £120bn (£80bn) in short-term deposits which yield only 3 per cent pre-tax. "Their owners may well be tempted to jump on the bandwagon in the next few months, and nobody is selling," he adds.

This newfound appetite for shares also reflects the outstanding performance of the Dutch economy. Fifteen years of wage moderation and measures to make the labour market more flexible have helped reduce unemployment to less than 6 per cent.

The country's economic growth (3.3 per cent) was among the highest in Europe last year, while inflation was kept under control, and budgetary rigour has placed the Netherlands among the certain qualifiers for the first stage of European monetary union. "The strength of the dollar is expected to boost further the full-year results of Dutch companies - many of them thriving on export-led growth strategies," says Smit.

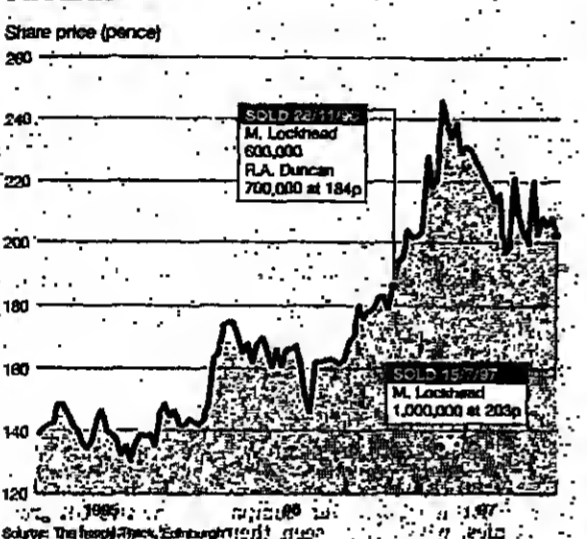
Philips also benefited from the overall appetite for high-tech stocks, which has led to astonishing price jumps. Shares in BaaN, a corporate software producer, have increased around 12 times since it was launched in Amsterdam three years ago. Shares in ASM Lithography, a small chip-maker, also chalked up a 10-fold increase in the same period.

Among the other heavyweights in Dutch business, financial stocks like ABN Amro, ING and Argon have also performed strongly, boosted by the growth of the insurance market and much higher income from commissions. On the other hand, some old favourites - such as brewer Heineken and publishing stocks - have come under pressure.

Bids / deals

Bernard Arnault, Paris-based chairman of LVMH, stepped up pressure to make Guinness and GrandMet recast their £24bn merger by acquiring more shares in GrandMet, writes Emma Terazono. Arnault, who is trying to promote a three-way merger between the three drinks companies, is believed to have doubled his stake to 12 per cent, above the threshold needed to call an EGM.

Firstbus



Directors' dealings

It was surprising to see that the number of directors buying still exceeds those selling, but many commentators believe that the UK equity market is still cheap. The largest sells of the week by far were at Firstbus, the transport group, where two directors sold 1.4m shares between them at 184p each.

Mor Lockhead, deputy chairman and chief executive, sold 600,000 of these, although he retains a holding of 1.4m shares.

Directors' share dealings

| Company | Sector | Shares | Value (£000) | No of directors |
|---------------------|--------|-----------|--------------|-----------------|
| SALES | | | | |
| Action Computer Ser | Dist | 200,000 | 340 | 2 |
| Archimedes Inv Trst | InvT | 2,000 | 10 | 1 |
| Bath Press | PP&P | 600,000 | 180 | 1 |
| Blue Circle | BM&M | 2,861 | 13 | 1 |
| CML Microsystems | Elec | 128,156 | 182 | 1 |
| Fired Earth Tiles | RetG | 10,000 | 21 | 1 |
| Firstbus | Tran | 1,000,000 | 2030 | 1 |
| Guinness Flight | InvT | 13,156 | 14 | 1 |
| Manchester United | L&H | 410,000 | 2365 | 1 |
| Orbis | SSer | 1,000,000 | 370 | 1 |
| Trace Computers | SSer | 25,000 | 14 | 1 |
| Berkley Group | BCon | 51,355 | 395 | 1 |
| Capital Corp | L&H | 333,195 | 620 | 1 |
| PowerGen | Elec | 46,000 | 366 | 1 |
| Vodafone Group | Tele | 1,214,920 | 3742 | 1 |
| PURCHASES | | | | |
| Anite | Elec | 74,716 | 25 | 2 |
| Capital Radio | Media | 10,000 | 51 | 1 |
| Elis & Everard | Chem | 12,285 | 30 | 5 |
| F & G Pacific IT | InvT | 30,000 | 48 | 1 |
| Fayrewood Plc | Dist | 50,000 | 26 | 1 |
| Fleming Mercantile | InvT | 12,000 | 42 | 1 |
| Granger Trust | Prop | 55,429 | 150 | 1 |
| Helical Bar | Prop | 25,000 | 129 | 1 |
| Hepworth | BM&M | 5,805 | 13 | 2 |
| Higgins | SSer | 13,100 | 17 | 1 |
| John David Sports | RetG | 9,700 | 30 | 1 |
| Kanwood | H&G | 40,000 | 48 | 2 |
| L Gardner | Eng | 6,000 | 14 | 1 |
| Lorho | Dvt | 12,000 | 15 | 1 |
| Loren Group | SSer | 7,500 | 25 | 1 |
| Medeva | Phrm | 22,000 | 48 | 3 |
| Morris Ashby | Eng | 6,000 | 15 | 1 |
| Mucklow (A&I) | Prop | 11,772 | 14 | 1 |
| Plamigan Int | InvT | 10,000 | 26 | 1 |
| Quintain Estates | Prop | 7,367 | 11 | 2 |
| Rekam | PP&P | 28,000 | 61 | 1 |
| Wagon Ind Hldgs | Eng | 20,000 | 45 | 2 |

Companies must notify the Stock Exchange within five working days of a share transaction by a director. The table contains all transactions (bought and sold) including exercises of options (1 = 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange. Shares traded are ordinary. Source: The Inside Track, Edinburgh, 0191-473 7070

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FT WEEKEND

True Fiction / James Morgan

Radio for huddies and the fair sex

It is fortunate that when I retire shortly I shall be able to carry on broadcasting, as my consortium has been successful in its application for one of the new British radio franchises.

Radio Now aims to be as up-to-date and right-on as the millennium itself. It will fully recognise the sea change in British and European society that has occurred over the past five decades and contribute to the multi-faceted dialogue that should characterise the ongoing relationship between broadcasting and its audience, or pro-actors as our winning agenda describes them.

In short, we are, quite precisely, the broadcasting backlash. Our programming will be so politically incorrect that even a more boring could not make it more so.

Thus we shall make gender issues a top priority. Every day, between breakfast and lunch, and again, before huddies comes

home for his tea, there will be a rolling strand generically entitled *Let's Join the Ladies*.

The programme's appeal here will be entirely based on those issues which matter most to the modern miss and her mum. For example, the careers of top mannequins will be used to illustrate the way the young female can make her way to the top in an appropriate industry.

The attention to career opportunities for the fair sex will be found in an up-to-the-minute novelty, an item never attempted hitherto on British radio - a young lady will take her clothes off once a week in a feature called *Radio-Strip*.

In the spirit of a modern-age egalitarianism, for which our

station stands, this will be open to all young women, whatever their appearance.

Radio stripping has been tried in the US by Mr Howard Stern, a disc jockey, where its purpose was titillation and its results thus demeaning and vulgar. We may be politically incorrect, but we have principles.

Men's programming, meanwhile, is undervalued in the broadcast media today. Masculine lifestyle features will concentrate on areas of interpersonal relationships - in the radio context, we have chosen to call this "male banding".

They will, inter alia, examine the claims of those who support a revival of a traditional gender balance. Many feel that their

natural right to assert their masculinity has been undermined; their concerns will be aired every week under the title *A Man's Right to Choose*.

In the field of general entertainment, which will play a central role in staking out the station's broad-appeal spectrum, we hope to make a special effort to incorporate the underprivileged in an area where it is all too easy to sound patronising or elitist. Our new panel game, *Find the Feet*, will open the doors of participation to those who have often felt excluded from, or been unable to comprehend, mainstream entertainment strands.

A vital output cluster will be located in a generic strand

known as *Our Foreign Friends*. This programming will be devoted to the concerns of our neighbours in the European Union and is specifically designed to promote informed decision-making at this crucial juncture in the evolution of Europe.

We intend to take a long look not only at the current initiatives designed to achieve a united Europe but also how they fit in with those of the past, and with the deeply held preconceptions of our domestic pro-actors. An eight-part series, with provisional titles ranging from *Visigoth and Vandal* and *Napoleon to Festung Europa*, is already in preparation.

No such station would be com-

plete without a phone-in. *Our, Your, Show*, has already been a hugely successful pilot. Eight hours of top quality debate from 2200 to 0800 devoted entirely to capital and corporal punishment. The pro-actors not only discussed the issues but also showed a deep knowledge of traditional and modern techniques.

Inclusion is the aim. We have great hopes for our weekly half-hour special feature called *The Quiet Man Next Door*, which will deal sympathetically, but honestly, with those who feel themselves unfairly pilloried in their pursuit of alternative lifestyle choices.

For the commuter class, we will have a morning serial with the working title *The*

Strange Man on the Train. The greatest problems we face involve coverage of the UK's domestic political scene. The traditional requirement for "balance" in broadcasting conflicts with the ethos of competition and with our own strong opinions about how society should be properly managed.

Nevertheless, I am confident that a little cosying up to the government's culture department will get rid of this static.

In all things, we believe in equality and fairness, but also recognise the need to reward honest endeavour and success, and to be polite but blunt. The marble-clad stratum of our headquarters in London's West End will thus reflect our blend of contemporary and the classical; our 11 stylish 180ft transmitters, sited in south-east England's garden counties, will symbolise our reach.

Our pledge is that, come the day, Radio Now will be where it is at, wherever that may be.

Early evening in Leicester Square, and the jolting mix of sounds which makes London swing begins to settle into its familiar, cacophonous groove. A busker is singing "Wonderwall", while another seeks a little help from his friends. It seems The Beatles have had their day; it is the Oasis hit to which the teenage throngs are singing along.

A 10-piece South American hand strums and croons, insistent rather than passionate, but its serenading has little effect; the al fresco diners concentrate more furiously on their pizzas. Six bongo players a short distance away are hammering violent yet intricate rhythms, as if Santana had never gone out of fashion. It is, indubitably, a sonic mess; yet if you stand on a certain paving stone outside the Empire Cinema, the improbable merging of sounds is almost exhilarating.

Sweaty-suited office workers melt into the ruck of portrait painters, flower salesmen, rucksacked Italian schoolchildren. Groups of clucking tourists circle concentrically before they are herded into the next stop on their programmes. Sketches of their guides' instructions reveal head-spinning non-sequiturs: "Those of you not going to Bath or Stonehenge are going to Planet Hollywood now." Naturally. An old Evening Standard billboard next to the half-price theatre booth proclaims that "Queen Victoria is Dead"; that famous English sense of humour, or maybe it's a while since the rubbish was collected.

Londoners famously hate Leicester Square. It is no surprise. It is not just the crush of bodies cramped into such a small space, nor the archetypal metropolitan kitsch of its stores and eateries, nor the drunks and hustlers. It is the fact that Leicester Square is the very heart of our city. It stands bang in the middle of the so-called "capital route". London's most travelled thoroughfare, stretching from Piccadilly to Covent



Peter Aspden spends a night in Leicester Square and finds a cacophony of youthful exuberance

Garden, traversed by roughly 22m people a year. To many of them, this is the essence of London. It should be a source of civic pride; yet it smells of burgers, looks like anywhere else and sounds like hell.

In fact, its bark is worse than its bite. Police say the area is very safe, considering the number of people it serves. "It looks absolutely horrendous because of the crowds, but if you stand still and watch it go on all around you it is not too bad," says Inspector Geoff Ervine, in charge of policing the area.

It is tempting to talk of the decline of Leicester Square

as another symptom of modern homogenisation and loss of manners; except it wouldn't be true.

Unlike the elegant piazzas of Bloomsbury, the cattle-grazing fields which passed to the Earl of Leicester in 1598 were never designed as a square; the earl built a townhouse on the site which is now the Empire Cinema and laid out the rest of the fields as public walks at his own expense.

In the early 18th century, the Prince of Wales lived in Leicester House. Frederick, father of the future George III, died there after being hit on the throat by a cricket ball, which might explain

today's ban on ball games in the gardens.

It wasn't until the mid-19th century that the square was opened up to traffic and conceived as a centre for entertainment, but even then its appeal was less than wholesome. Council records show that in 1866, miscreants vandalised an equestrian statue of George I, painting it in black and white dots and adding a dunce's hat and a broomstick.

There was little sign of such malice as I decided to take Inspector Ervine at his word and stand still, watching the frenetic border go by. There is little to report in

the slow build-up to midnight just more and more people, louder and louder bongos and a young Christian preacher outside the Empire. He greets people flitting out of Steven Spielberg's *The Lost World*, promising them a better one if they could only give up their vices. "Jesus is better than Ecstasy," he says, and a surprisingly respectful crowd demurs.

He need not worry; nothing remotely sinister is happening around him, though there is plenty of adolescent exuberance. I am torn between competing Steak House attractions: outside the Aberdeen, a contortion-

ist is putting his body through the head of a tennis racket, his shoulder dangling grotesquely behind him. He seems to pick up a lot of money.

But outside the Angus is a quieter sight: some Spanish schoolgirls have decided that lack of inhibition is a prized virtue in this city, and are dancing *Seducción* behind a hopefully upturned cap.

Soon, some Adidas-clad

English boys clutching Special Brews embark on a chat-up routine of startling ineptitude. The lack of empathy between the two groups makes one marvel that there could ever be such a thing as a European Union. But the boys leave a Euro or two in the cap and hunch on.

After 2am, there is even less to disturb the peace. The most threatening thing on offer is the sign outside

the Koo Club: "Sounds of Deep Sexy House and Soulful [sic] Garage Grooves." There is a little flurry when some people who look famous (Eternal, I find out later) leave the Hampshire hotel to walk the 20 yards to the Capital Radio Café. A roadswearing van boots, a couple are all but having sex by the garden railings. The bongos go on.

The wind-down in the small hours is positively boring. Most of the cafés are done by 4am, the clubbers emerging into the dawn light predictably lethargic as they file meekly into the streets hoping to pick up a cab. At last, there is a respite from the relentless percussion, and a small group of what look like Brazilian footballers cluster earnestly round an acoustic guitar. It is quite sweet, but we could be in any square or beach in Europe.

So what is there to hate? The Inspector was right. If you are not in a hurry, if you can enjoy the thrub, the energy, it is all quite innocent fun. True, there are a few fast food joints, too many, and the movie billboards dominating the skyline make depressing viewing, but people like eating fast and cheap, and dinosaurs are big box office right now.

Anyway, none of this is the fault of Leicester Square. In the middle of the gardens, a (terrible) statue of William Shakespeare looks down towards a more recent native genius, Charlie Chaplin, as if for reassurance. But he is looking restlessly the other way, ready to waddle off in the opposite direction. He is right, of course. If it is culture, restraint, good taste you are after, Leicester Square is not for you.

The earl would find today's bedlam most confusing. But this is the modern world, and 22m people can't be wrong.

Arcadia / Justin Marozzi

The rumbling in the jungle

Fight in the cause of Allah
Those who fight you,
But do not transgress limits
For Allah loveth not transgressors.
If you want peace, be prepared for war.

Deep in the lush tropical jungle of the southern Philippines island of Mindanao, Al-Haj Murad, vice-chairman of the guerrilla Moro Islamic Liberation Front, is holding court.

This is Camp Abubakar, MILF headquarters and home to 10,000 rebel soldiers and civilians, sprawling over 10,000 hectares in remote terrain. White mosques dotted among the plantations of coconut palm trees tell the visitor this is the heart of Moslem Mindanao, where the four centuries-old Islamic resistance to colonial rule now expresses itself in guerrilla warfare.

Although the police and military would never admit it, national jurisdiction means precious little here. Nature blessed the region with the most fertile land in the archipelago. Continuous fighting has ensured it remains the poorest.

For the past month, a military operation using helicopter gunships, aerial bombardments and land offensives has been harassing MILF forces believed to be behind a recent kidnapping of oil executives. All

the violence has achieved, however, is the displacement of 73,000 civilians.

Murad assures us that the armed struggle against the state will continue and with the 120,000 soldiers he claims are ready to become martyrs, it is no idle threat.

"The MILF is a revolutionary organisation with the objective of finding a lasting peace in the area and achieving the aspiration of the Bangsa Moro people to self-determination," he said. "This is a jihad. The problem of the Bangsa Moro people goes back 400 years to the colonisation by the Spanish. It continued with the Japanese and Americans and we feel we are still being colonised by the Philippine government, which is why we fight for more independence."

The term Moro comes from the Spanish *los Moros* or Moors, referring to the hardy Moslem inhabitants the Conquistadors first encountered at the Battle of Manila Bay in 1571. Within a few years, Spain held sway and the proud Moslem sultans had been wiped out, triggering a bloody conflict which runs to this day. By the 1970s, it had reached its apogee. Ferdinand Marcos, president at the time, used the anarchy in Mindanao to justify declaring martial law in 1972. In the three years that followed, more than

60,000 civilians were killed. Not even Imelda Marcos, an irrepressible flirt, could stop the carnage. She met the Libyan leader Muammar Gaddafi in his desert tent, famously sang to him, and persuaded him to broker the 1976 Tripoli agreement between the two sides. Within weeks it had collapsed.

Last year, Nur Misuari, head of the Moro National Liberation Front, the largest

of 73,000

civilians

Moslem rebel group, signed a peace deal which Manila loudly hailed as the end of almost 30 years of insurgency. Today, as governor of the autonomous Moslem region, 10 months after hanging up his M-16 rifle, the transition from rebel to politician still haunts him while others continue the warfare he once fought.

"If we want to move forward, we must have peace and consign the genie of war to where it belongs," Misuari argues, without hope. As a breakaway movement from the MNLF, the MILF owes

him no allegiance and the dream of substantial new investment in those impoverished areas which need it most seems as distant as ever. Islam, not investment, is the order of the day.

It is Sunday morning and while MILF soldiers and government forces confront each other in a handful of villages, Father Eliseo Mercado, president of Notre Dame University, has just finished giving mass. His office in the tranquil campus in Cotabato is a world away from the hostilities but, as chairman of an independent ceasefire monitoring body, he is more aware than most of the situation on the ground. Like many here, he is sceptical about the military's sudden pursuit of kidnappers and says it is merely an excuse to crush the MILF.

"I heard a general reporting an encounter recently. It almost made me vomit, the gloating over dead bodies, collateral damage and evacuees. The military believes it can solve the MILF problem by blasting them into kingdom come, but for every MILF soldier killed, there are two or three recruits ready to take his place. The military answer is simply not the right one."

On the outskirts of Pagan village, Major James Yangzon of the 64th battalion, 8th Infantry Division of the Philippine army, is attempting a military solu-

tion in command of an operation to flush out MILF soldiers hiding in thick cover.

Simba armoured personnel carriers move forward at a snail's pace, directing heavy fire towards suspected rebel positions. Infantry follow on foot and local journalists bring up the tail, filing reports from radio cars. After a brief exchange of fire, the MILF disperse and the military celebrates a small but hollow victory.

No one, except those in the armed forces who say they could destroy the MILF in two days given the go-ahead, seriously believes in a military solution to the Mindanao question. Most confrontations end with a whimper as soon as the guerrillas melt into the jungle.

Both sides say they are ready to talk peace but neither is negotiating in good faith. The military continues its crusade against "kidnappers" and Murad is threatening to launch counter-offensives if armed forces attack Camp Abubakar. History, and the jungle, are simply proving too much for the politicians to overcome.

Choose No 1 1997-98. But if you choose (a) you are in a major company. 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